

Department of Legislative Services

Maryland General Assembly

2001 Session

FISCAL NOTE

Revised

Senate Bill 142

(Senator Haines)

Budget and Taxation

Hearing Impaired Individuals Over Age 72 - Tax Exemption

This bill provides a \$15,000 property assessment exemption for any hearing impaired individual who is at least 72 years old.

The bill is effective July 1, 2001.

Fiscal Summary

State Effect: Special fund revenues could decrease annually by \$510,000 beginning in FY 2003. General fund expenditures could increase by \$89,050 and \$28,750 in FY 2002 and 2003, respectively.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SF Revenue	\$0	(\$510,000)	(\$510,000)	(\$510,000)	(\$510,000)
GF Expenditure	89,050	28,750	0	0	0
Net Effect	(\$89,050)	(\$538,750)	(\$510,000)	(\$510,000)	(\$510,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Aggregate county property tax revenues could decrease by \$7.3 million annually and municipal property tax revenues could decrease by \$730,000 annually beginning in FY 2003. Minimal increase in expenditures. ***This bill imposes a mandate on a unit of local government.***

Small Business Effect: None.

Analysis

Current Law: A \$15,000 property assessment exemption is currently provided for blind individuals and surviving spouses but not hearing impaired individuals.

Background: The State real property tax rate is \$0.084 per \$100 of assessed value. All State property tax revenues are credited to a special fund, the Annuity Bond Fund, dedicated exclusively to paying the debt service on State general obligation bonds. Local governments generally have the authority to set their own property tax rates.

State Revenues: Providing a \$15,000 property tax assessment exemption for each eligible individual would reduce State special fund revenue by \$12.60 per person. Assuming approximately 40,500 homeowners qualify for the exemption, Annuity Bond Fund revenues would decrease by \$510,000 annually beginning in fiscal 2003. The exemption would not begin until fiscal 2003 because Section 7-102 of the Tax-Property Article states that unless otherwise provided in the law establishing the exemption, the exemption is effective on the next date of finality after the effective date of the law. The estimate of the decrease in revenue is based on the following facts and assumptions:

- the number of new applicants each year will approximate the number of applicants dropping out of the program;
- 1,334,224 owner-occupied parcels of property within the State;
- approximately 8% of property owners are 75 years or older;
- 37% of those 75 and older are hearing impaired; and
- approximately 4,700 hearing impaired individuals from the ages of 72 to 74 would qualify for the exemption.

State Expenditures: General expenditures could increase by an estimated \$89,050 in fiscal 2002, which accounts for the 90-day start-up delay from the bill's effective date of July 1, 2001. This estimate reflects the cost of three new contractual Office Clerk I positions to process the exemption applications. It includes salaries, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below.

- The three contractual employees would be needed from October 1, 2001 through September 30, 2002. Tax bills are due by September 30 to avoid penalties and interest.
- Communications cost in the first year will total approximately \$42,750 including the cost of printing and mailing the exemption applications.
- Supplies are estimated to cost \$3,000.

Salaries and Fringe Benefits	\$43,300
Communications	42,750
Other Operating Expenses	<u>3,000</u>
Total FY 2002 State Expenditures	\$89,050

Fiscal 2003 expenditures of \$28,750 reflect: (1) salaries for only three months through September 30, 2003; and (2) communication costs of \$14,250.

Local Revenues: County government property tax revenues could decrease by approximately \$7.3 million annually. **Exhibit 1** breaks down the revenue loss by county. The reduction in revenue is based on the estimated number of property owners who are 75 and above in each county and the same facts and assumptions used for the State estimate above. Municipal property tax revenues, estimated at 10% of county revenues, would decline by approximately \$730,000 annually.

Local Expenditures: Minimal impact on local government expenditures as the processing of the applications would be done at the State level. Local governments may incur minimal costs if revised tax bills or refunds are required to be provided.

Additional Information

Prior Introductions: Similar legislation was introduced during the 1995 session as SB 287 but was withdrawn by the sponsor.

Cross File: None.

Information Source(s): Department of Assessments and Taxation; Center for Disease Control; Census Bureau; Allegany, Montgomery, Prince George's, Talbot, and Wicomico counties; Department of Legislative Services

Fiscal Note History: First Reader – January 29, 2001
ncs/jr Revised – Updated Information – January 30, 2001

Analysis by: Karen S. Benton

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510

Exhibit 1
Hearing Impaired Individuals Over Age 72 – Tax Exemption
County Revenue Loss

County	Hearing Impaired Owners Over 71	County Tax Rate	County Loss per Credit	County Revenue Loss
Allegany	1,166	\$0.984	\$147.60	\$172,108
Anne Arundel	3,191	0.960	144.00	459,442
Baltimore City	6,931	2.328	349.20	2,420,334
Baltimore	7,157	1.142	171.30	1,225,963
Calvert	528	0.892	133.80	70,586
Caroline	350	0.952	142.80	49,941
Carroll	1,132	1.048	157.20	177,985
Cecil	630	0.980	147.00	92,551
Charles	594	0.996	149.40	88,808
Dorchester	460	0.870	130.50	59,980
Frederick	1,540	1.000	150.00	230,970
Garrett	336	1.036	155.40	52,271
Harford	1,251	1.092	163.80	204,887
Howard	813	1.044	156.60	127,251
Kent	283	1.012	151.80	43,008
Montgomery	6,248	0.7428	111.42	696,160
Prince George's	3,226	0.964	144.60	466,534
Queen Anne's	448	0.976	156.40	65,617
St. Mary's	519	0.908	136.20	70,704
Somerset	283	0.980	147.00	41,586
Talbot	558	0.556	83.40	46,577
Washington	1,409	0.948	142.20	200,382
Wicomico	785	1.084	162.60	127,673
Worcester	648	0.696	104.40	67,665
Total	40,486			\$7,258,982
State	40,486	\$0.084	\$12.60	\$510,126

Source: State Department of Assessments and Taxation