

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 125

(Delegates Campbell and McHale)

Ways and Means

Budget and Taxation

Baltimore City - Tax Credit for Newly Constructed Dwellings - Termination Date

This bill extends the June 30, 2002 termination date of the Baltimore City property tax credit program for newly constructed dwellings until June 30, 2005. The bill also repeals the authority for Baltimore City's property tax credit for first purchased dwellings.

The bill is effective July 1, 2002.

Fiscal Summary

State Effect: None. The bill affects Baltimore City only.

Local Effect: The property tax reduction resulting from the program will be maintained at its current rate, estimated at \$600,000 in FY 2003, \$788,000 in FY 2004, and \$977,000 in FY 2005.

Small Business Effect: None.

Analysis

Current Law: Baltimore City may grant a property tax credit against city property taxes imposed on newly constructed dwellings or first purchased dwellings owned by qualified owners. The credit is 50% for the first taxable year and decreases 10% each year until it expires after the fifth year. After June 30, 2002, additional owners of such properties may not be granted the credit.

Background: Chapter 616 of 1994 authorized Baltimore City to grant the newly constructed or first purchased dwellings property tax credit. According to the city's fiscal

2000 budget, this program has grown to become the city's fourth largest real property tax credit program. The following table summarizes the number and gross cost of the credits.

<u>Fiscal Year</u>	<u>Number of Credits</u>	<u>Amount of Credits</u>
1996	30	\$35,400
1997	114	\$150,300
1998	119	\$220,800
1999	164	\$309,237
2000	152	\$330,747
2001 (as of March)	103	\$413,721

The city estimates that the extension of the program to additional owners will result in additional tax credits of \$188,000 each year of the program.

According to Baltimore City, the credits for first purchased dwellings was never enacted.

Local Fiscal Effect: Based on the history of the program, Baltimore City's decrease in property tax revenue should increase to approximately \$600,000 in fiscal 2003, \$788,000 in fiscal 2004, and \$977,000 in fiscal 2005, an increase of \$188,000 each fiscal year. The actual increase in the credit would depend on the number of newly constructed or first purchased dwellings during the fiscal year.

Additional Information

Prior Introductions: Chapter 137 (HB 536) of 2000 extended the termination date of the program from June 30, 2000 to June 30, 2002.

Cross File: None.

Information Source(s): Department of Assessments and Taxation, Baltimore City, Department of Legislative Services

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Analysis by: Karen S. Benton

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