

Department of Legislative Services

Maryland General Assembly

2002 Session

FISCAL NOTE

Revised

House Bill 525

(Delegate Redmer, *et al.*)

Ways and Means

Budget and Taxation

Baltimore County - Property Tax - Neighborhood Preservation and Stabilization Credits

This bill extends until June 30, 2005 the qualifying period for participation in the Neighborhood Preservation and Stabilization Act program in designated areas of Baltimore County.

The bill is effective July 1, 2002.

Fiscal Summary

State Effect: General fund revenues could decrease by \$39,500 in FY 2004, increasing through FY 2007 as a result of additional program participants. FY 2003 revenues are not affected because properties purchased in that year are not eligible for the credit until FY 2004. Future year revenue losses would gradually taper off.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	\$0	(\$39,500)	(\$79,000)	(\$158,000)	(\$276,500)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$0	(\$39,500)	(\$79,000)	(\$158,000)	(\$276,500)

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

Local Effect: Baltimore County property tax revenues would continue to decrease due to the extension of the property tax credit program, estimated \$39,500 for Baltimore County in FY 2004. Expenditures would not be affected.

Small Business Effect: None.

Analysis

Current Law: Chapter 590 of 1996 established the Neighborhood Stabilization and Preservation Act of 1996. It provides a tax credit for property taxes on owner-occupied residential property bought in designated neighborhoods in Baltimore City and Baltimore County from July 1, 1996 to June 30, 1999. Chapter 319 of 1999 extended this time frame to June 30, 2001. Chapter 319 also increased the number of dwellings eligible for the program in Baltimore City from 1,200 to 1,500 and in Baltimore County from 1,200 to 1,400. Chapter 265 of 2000 extended the termination date until June 30, 2002 and designated a second area for inclusion in Baltimore County containing 2,000 to 2,400 single-family dwellings. Baltimore County designated the Hillendale neighborhood, located on the city line between Loch Raven Boulevard and Perring Parkway. The second area designated by Baltimore County is Lansdowne in the southwest portion of the county.

The tax credit is 80% of the property taxes paid in each year of the first five years of ownership. This amount declines by 10% in each of the following years until the eleventh year, when it expires. The cost of the credit is split between the State and local governments with one-half of the credit amount being applied against the State income tax and the other half being a reduction in local property taxes owed.

Background: Chapter 265 of 2000 required the Comptroller, Baltimore County, and Baltimore City to report to the General Assembly on the impact of extending the property tax credit for neighborhood stabilization by October 1, 2001. Those reports have not been filed.

The table below shows the State and local revenue loss for the Baltimore County program from fiscal 1997 to 2002 if all applicants claim and receive the credit.

Neighborhood Preservation and Stabilization Act Demonstration Program

	<u>Baltimore County</u>
Total Number of Applicants	161
Average Home Assessment	\$73,847
Local Property Tax Rate per \$100 of Assessment	1.115
Average Property Tax	\$823
Total Local Revenue Loss	\$53,000
Total State Revenue Loss*	\$53,000

* To date, not all applicants have claimed the State income tax credit.

Source: Department of Assessments and Taxation

Local Fiscal Effect: Under the program, the property tax credit may be claimed in the taxable year after the residence is purchased. For instance, properties purchased in fiscal 2003 (the first year of the expansion) would be eligible for the credit in fiscal 2004. Consequently, there is no effect on revenues in fiscal 2003. Based on the experience of the program, it is estimated that extending the program by three years would result in an additional 60 qualified homebuyers in the county each year. The resulting decrease in revenues for Baltimore County would be as follows:

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Baltimore County	\$0	\$39,504	\$79,008	\$158,016	\$276,528

The estimates assume:

- the number of new credits as a result of the program being extended four years is an additional 60 each year in Baltimore County;
- local tax rates do not change;
- average assessments over the relevant period are equivalent to current averages;
- all eligible persons will claim the credit; and
- both income and property tax credits are claimed in the same fiscal year.

State Revenues: General fund revenues would decrease by an amount equivalent to the local revenue loss. In fiscal 2004, general fund revenues would decline by \$39,500 increasing through fiscal 2007 equivalent to the increase in the city and county revenues noted above.

Additional Information

Prior Introductions: Similar legislation (SB 348) was passed during the 2000 session that extended the program through June 30, 2002 and expanded the program area in Baltimore County.

Cross File: None.

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

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