

Department of Legislative Services

Maryland General Assembly

2004 Session

FISCAL AND POLICY NOTE

Revised

House Bill 1521

(St. Mary's County Delegation)

Ways and Means

Budget and Taxation

St. Mary's County - Property Tax - Credit for Individuals over Age 70

This bill authorizes St. Mary's County to grant property tax credits against the county property tax for individuals who are at least 70 years of age. The county is authorized to provide, by law, the amount and duration of the tax credit and any other provision necessary to carry out the tax credit.

The bill takes effect June 1, 2004 and applies to all taxable years beginning after June 30, 2004.

Fiscal Summary

State Effect: None.

Local Effect: St. Mary's County revenues could decrease by approximately \$170,000 in FY 2006, increasing to approximately \$834,300 in FY 2009.

Small Business Effect: None.

Analysis

Current Law: St. Mary's County may grant, by law, a property tax credit against the county property tax imposed on: (1) property that is owned by the St. George's Island Improvement Association, Inc., and is used only for community or civic purposes; (2) real property owned by the Seventh District Optimist Youth Foundation, Inc.; (3) real property that is subject to the Maryland Agricultural Land Preservation District Program or the St. Mary's County Agricultural Land Preservation District five-year program; and

(4) real property that was formerly used solely as a tobacco barn and is subject to a tobacco buyout agreement.

Background: For fiscal 2002, 961 individuals applied for the Homeowner's Tax Credit program from St. Mary's County, and 751 credits were issued. The average credit was \$681. For fiscal 2003, 852 individuals applied for the Homeowner's Tax Credit program from St. Mary's County, and 672 credits were issued. The average credit was \$688. St. Mary's County has a 5% Homestead Tax Credit (tax cap) in place for owner-occupied property. The average taxable assessment for fiscal 2004 (all classes including nonresidential) is \$136,534. The average tax bill is approximately \$1,240.

According to the 2000 Census, there were 21,996 owner-occupied housing units in the county, and approximately 9% of the county population is over age 65.

Local Fiscal Effect: St. Mary's County indicates that it would enact a tax credit for seniors that limits property tax payments to the amount paid when the seniors were 70 years old. For example, if a senior paid \$1,200 in county property taxes when he or she was 70, then that is the amount of county property taxes he or she would pay each year for as long as he or she resides in that home. The credit each year would be the difference in the tax paid in the year the individual turned 70 and the amount of tax owed in a future year.

Exhibit 1 shows the estimated revenue decrease for St. Mary's County as a result of enacting this tax credit. The estimate is based on current projections of individuals living in the county based on census data and current and future property tax payments.

Exhibit 1
Estimated Revenue Loss Resulting From Proposed Tax Credit

<u>Fiscal Year</u>	<u>Estimated Revenue Decrease</u>
2006	\$170,000
2007	364,200
2008	585,000
2009	834,300

The county indicates that the increased workload associated with administering this credit could result in an expenditure increase of \$21,500 for the four employees of the county treasurer's office. The Department of Legislative Services advises that the proposed tax

credit can be implemented without increasing the salaries of existing employees in the county treasurer's office. The county also indicates the need for a one-time expenditure increase of \$6,000 in fiscal 2005 for reprogramming of the tax system to account for the tax credit.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, St. Mary's County, Department of Legislative Services

Fiscal Note History: First Reader - March 24, 2004
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