**SB 624**

# Department of Legislative Services

Maryland General Assembly
2004 Session

## FISCAL AND POLICY NOTE

Senate Bill 624 (Senator Giannetti)
Budget and Taxation

**Property Tax - Exemption - Surviving Spouse of a Veteran**

This bill exempts from the property tax a home that is owned by the surviving spouse of a veteran of the U.S. Armed Forces who receives dependency and indemnity compensation from the U.S. Department of Veterans Affairs.

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

## Fiscal Summary

**State Effect:** Annuity Bond Fund revenues and expenditures could decrease by approximately $1.3 million annually beginning in FY 2005 with a corresponding increase in general fund expenditures.

| ($ in millions) | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|---|---|---|---|---|---|
| SF Revenue | ($1.3) | ($1.3) | ($1.3) | ($1.3) | ($1.3) |
| GF Expenditure | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| SF Expenditure | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) |
| Net Effect | ($1.3) | ($1.3) | ($1.3) | ($1.3) | ($1.3) |

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

**Local Effect:** Decrease in local property tax revenues of approximately $10.3 million annually beginning in FY 2005.

**Small Business Effect:** None.

## Analysis

**Current Law:** The real property of surviving spouses of disabled veterans and members of the military who died in the line of duty is exempt from taxation, if specified requirements are met.

**Background:** A surviving spouse of a veteran is eligible for Dependency and Indemnity Compensation (DIC) if: (1) he or she married the veteran before January 1, 1957; or (2) was married to a service member who died on active duty; or (3) married a veteran within 15 years of discharge from military service during which time the disease or injury which caused the veteran's death began was aggravated; or (4) was married to the veteran for at least one year; or (5) have had a child together, and cohabitated with the veteran continuously until the veteran's death, or if separated, was not at fault in the separation and is not currently remarried.

The State real property tax rate is $0.132 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 Fiscal Effect:** Special fund revenues and expenditures could decrease by approximately $1.3 million annually beginning in fiscal 2005, based on the following:

- according the U.S. Department of Veterans Affairs, there were 5,352 surviving spouses of veterans who were receiving DIC benefits as of September 2003;
- the median sale price of owner-occupied properties in Maryland was $190,000 in fiscal 2003;
- the State property tax rate is $0.132 per $100 of assessment; and
- the number of eligible spouses remains constant.

State general fund expenditures would increase in an amount equal to the decrease in the Annuity Bond Fund revenues in order to meet debt service payments. Revenues and expenditures could vary depending on the actual assessed value of each eligible property.

**Local Revenues:** Based on the data used above, local government revenues could decrease by approximately $10.2 million, assuming an average local rate of $1.00 per $100 of assessment. Revenues could vary depending on the actual assessed value of each property.

## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, Department of Legislative Services

**Fiscal Note History:** First Reader - March 12, 2004
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