

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 215 (Chairman, Ways and Means Committee)
 (By Request – Departmental – Assessments and Taxation)

Ways and Means

Property Tax - Renters Tax Credit

This departmental bill reduces from 15% to 10% the percentage of paid rent used in calculating the property tax credit under the Renters’ Tax Credit Program.

The bill takes effect January 1, 2005 and applies to tax credits for all taxable years beginning after December 31, 2003.

Fiscal Summary

State Effect: General fund expenditures would decrease by \$1.7 million in FY 2005 and by \$2.0 million annually thereafter. No effect on revenues.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	(1,700,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Net Effect	\$1,700,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000

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

Local Effect: None.

Small Business Effect: The Department of Assessments and Taxation (SDAT) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: For the purpose of calculating property tax credits under the Renters' Tax Credit Program, the assumed real property tax is 15% of the occupancy rent paid by a renter during the year, or 15% of the occupancy rent paid by a renter during the year plus any mobile home or trailer park taxes paid.

Background: The Renters' (Circuit Breaker) Tax Credit Program is a State-funded program for specified elderly and disabled. Renters provide relief from the burden attributable to State and local real property taxes. Qualification is based on a sliding scale of assumed property tax liability and income. In fiscal 1994, this program was expanded to include certain renters under 60 years of age who live with a dependent under age 18. The State makes payments for the amounts of the "credits" directly to recipients.

State Fiscal Effect: This bill reduces the calculation of the assumed real property tax from 15% of the occupancy rent paid by a renter during a calendar year to 10% of the occupancy rent paid by a renter during the calendar year. This reduction is based on a recent analysis of income and expense information from 1,071 apartment properties in Maryland which found that the median percentage of effective gross income that went to property taxes was 7.21%. Therefore, the amount of occupancy rent attributable to property taxes under current law (15%) is higher than actual occurrences.

For fiscal 2002, 12,051 individuals received a Renters' Tax Credit under the current calculations at a total cost of \$3.3 million. If the assumed real property tax had been 10%, as proposed by the bill, 9,676 individuals would have received a Renters' Tax Credit at a total cost of \$1.4 million. The lower percentage results in an expenditure reduction of approximately \$1.9 million.

As a result, it is estimated that the bill would reduce the annual State expenditures for the Renters' Tax Credit Program by approximately \$1.7 million in fiscal 2005, increasing to \$2.0 million annually, thereafter.

Additional Comments: Chapter 247 of 1981 increased the percentage of rent attributed to property taxes from 10% to 15%.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 29, 2004
mh/hlb

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