

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 121
Ways and Means

(St. Mary's County Delegation)

Budget and Taxation

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

This bill authorizes St. Mary's County to grant a property tax credit against the county property tax for individuals who are at least 70 years of age and of limited income. The county is authorized to provide, by law, eligibility criteria for the credit, the amount and duration of the tax credit, regulations and procedures for the application and uniform processing of requests for the tax credit, and any other provision necessary to carry out the tax credit.

The bill takes effect June 1, 2005 and applies to taxable years 2006 through 2008. The bill sunsets June 30, 2008.

Fiscal Summary

State Effect: None.

Local Effect: St. Mary's County revenues could decrease by \$163,800 in FY 2006, \$351,500 in FY 2007, and \$565,000 in FY 2008. County expenditures would not be affected.

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 2004, 771 individuals applied for the Homeowner's Tax Credit program from St. Mary's County and 641 credits were issued. The average credit was \$735. 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 2005 (all classes including nonresidential) is \$143,961. The average tax bill is approximately \$1,264.

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 senior citizen homeowners that would limit property tax payments to the amount paid when the individual was 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 based on future assessments.

Exhibit 1 shows the estimated revenue decrease for St. Mary's County as a result of enacting this tax credit for fiscal 2006 through 2008. The estimate is based on current population projections based on census data, 5% annual assessment increases based on the county's Homestead Tax Credit percentage, a constant property tax rate of \$0.878, and future property tax payments. It should be noted that as assessments increase and the population of senior citizen homeowners increases, the revenue loss associated will increase accordingly. Also, the estimate does not include any income limitation, which is to be determined by the county, and which could alter the estimated effect.

Exhibit 1
Estimated Revenue Loss Resulting from Proposed Tax Credit

<u>Fiscal Year</u>	<u>Estimated Revenue Decrease</u>
2006	\$163,773
2007	351,501
2008	<u>564,985</u>
3-Year Effect	\$1,080,259

Source: St. Mary's County Government; Department of Legislative Services

Additional Information

Prior Introductions: This bill was introduced as HB 1521 in the 2004 session. The bill received a favorable with amendments report by the House Ways and Means Committee and was passed by the House of Delegates; however, the bill received an unfavorable report from the Senate Budget and Taxation Committee.

Cross File: None designated, although SB 18 is identical.

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

Fiscal Note History: First Reader - January 31, 2005
ncs/hlb Revised - House Third Reader - March 30, 2005

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