HB 562

Department of Legislative Services

Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 562 (Delegate Healey, *et al.*)

Ways and Means Budget and Taxation

Disabled Veterans and Surviving Spouses - Qualification Date for Property Tax Exemption

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This bill provides that for the purposes of a property tax exemption for a disabled veteran or the surviving spouse of a veteran killed in action, the transfer of property to a disabled veteran or surviving spouse is considered final on the date of settlement, provided that the person applies to the State Department of Assessments and Taxation (SDAT) for the exemption within 30 days of settlement. Under the bill, property taxes are to be abated from the date of settlement. SDAT is required to adopt regulations to administer the provisions of the bill.

The bill takes effect June 1, 2005.

Fiscal Summary

State Effect: Special fund revenues could decrease by approximately $5,600 annually. State expenditures should not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	($5,600)	($5,600)	($5,600)	($5,600)	($5,600)
Expenditure	$0	$0	$0	$0	$0
Net Effect	($5,600)	($5,600)	($5,600)	($5,600)	($5,600)

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

Local Effect: Local government revenues could decrease by approximately $42,800 annually. Expenditures would not be affected.

Small Business Effect: None.

Analysis

Current Law: Dwelling houses of disabled veterans and surviving spouses of individuals killed in the line of duty are exempt from property taxation, provided that specified conditions are met. Statute does not explicitly indicate the effective date of property transfer for property tax purposes.

Background: There are approximately 468 applications submitted annually to receive an exemption as either a disabled veteran or the surviving spouse of a disabled veteran, and approximately 320 new exemptions are granted each year. In fiscal 2003, 3,283 accounts received this exemption and it removed $490,919,358 from the tax rolls. In fiscal 2004, 3,603 accounts received this exemption and the total exemption granted was $585,961,457. The growth in the exemption amount by over $95 million was due to both the increased number of exemptions granted and the increased assessed value of these properties.

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: Court rulings and long time practice of SDAT has recognized the date of recordation as the date of transfer. This is because deeds are sometimes not recorded until months or years after the settlement occurs. As a result, taxes are due until a specified exemption is granted and then abated to the date when the deed was recorded. Pursuant to this legislation, taxes would be abated to the date of settlement provided that the exemption is applied for within 30 days of settlement. As a result, the bill is not expected to significantly affect special fund revenues and expenditures and corresponding general fund expenditures.

For each exemption granted, an average of $17.64 in State property taxes would not be payable (average assessment receiving credit $162,631, average annual State taxes $214.67, 30 days of taxes $17.64). Assuming an average of 30 days between settlement and the date of deed recordation and 320 new exemptions granted annually, State special fund revenues could decrease by approximately $5,645 per year.

Local Fiscal Effect: Local governments currently receive property tax revenues from the date of settlement until the date of deed recordation. For each exemption granted, an average of $133.64 in taxes would not be payable (average assessment receiving credit $162,631, average annual taxes to counties $1,626, 30 days of taxes $133.64). Assuming an average of 30 days between settlement and the date of deed recordation and 320 new exemptions granted annually, total local government revenues could decrease by approximately $42,765 per year.

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 - February 18, 2005
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