

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 314

(Senator Conway, *et al.*)

Budget and Taxation

Ways and Means

Baltimore City - Property Tax Credit for Newly Constructed Dwellings

This bill extends the June 30, 2005 termination date of the Baltimore City property tax credit for newly constructed dwellings until June 30, 2007.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: None.

Local Effect: The property tax reduction in Baltimore City resulting from the program would be maintained at its current rate, estimated at \$2.6 million in FY 2006 and \$3.2 million in FY 2007.

Small Business Effect: None.

Analysis

Current Law: Baltimore City may grant a property tax credit against city property taxes imposed on newly constructed dwellings owned by qualified owners. The credit is 50% for the first taxable year and decreases 10% each year until it expires after the fifth year. After June 30, 2005, additional owners of such properties may not be granted the credit.

Background: Chapter 616 of 1994 authorized Baltimore City to grant newly constructed or first purchased dwellings a property tax credit. According to the Baltimore City fiscal 2000 budget, this program has grown to become the city's fourth largest real property tax credit program. Chapter 493 of 2002 extended the June 30, 2002 termination date of the

property tax credit program for newly constructed dwellings until June 30, 2005. Chapter 493 also repealed the authority for Baltimore City's property tax credit for first purchased dwellings. According to Baltimore City, the credit for first purchased dwellings was never enacted. The following table summarizes the number and cost of the credits since fiscal 1996.

<u>Fiscal Year</u>	<u>Number of Credits</u>	<u>Amount of Credits</u>
1996	30	\$20,295
1997	199	133,333
1998	15	229,663
1999	149	309,237
2000	141	330,747
2001	130	418,921
2002	211	481,490
2003	128	704,261
2004	170	1,120,122
2005	212	1,410,744

Local Fiscal Effect: Baltimore City estimates that the extension of the program will reduce property tax revenues by approximately \$2.6 million in fiscal 2006 and \$3.2 million in fiscal 2007. However, the actual increase in the credit would depend on the number of newly constructed or first purchased dwellings during the fiscal year.

Additional Information

Prior Introductions: Chapter 493 (HB 125) of 2002 extended the termination date of the program from June 30, 2002 to June 30, 2005. Chapter 137 (HB 536) of 2000 extended the termination date of the program from June 30, 2000 to June 30, 2002.

Cross File: None.

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

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