

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 1015

(Senator Lawlah)

Budget and Taxation

Ways and Means

Prince George's County - Property Tax Credits - Newly Constructed and Renovated Dwellings

This bill authorizes Prince George's County to grant, by law, a property tax credit against the county property tax imposed on newly constructed and renovated dwellings in specified areas for a five-year period.

The bill takes effect June 1, 2005 and applies to all taxable years beginning after June 30, 2005.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County revenues could decrease by a potentially significant amount beginning in FY 2006. County expenditures would not be affected.

Small Business Effect: None.

Analysis

Bill Summary: Prince George's County is authorized to grant a property tax credit for newly constructed dwellings or specified rehabilitated dwellings within one-quarter mile of the Prince George's County-Washington, DC border or within one-quarter mile radius of a Washington Metropolitan Area Transit Authority Metrorail station in Prince George's County.

The credit authorized by the bill is 50% of the property tax imposed for the first taxable year and decreases 10% each year until it expires after the fifth year. The credit for renovated buildings may not exceed 100% of the cost of renovations. The bill establishes eligibility criteria for receiving the credit.

Prince George's County is authorized to provide for procedures necessary and appropriate for the submission of an application for and the granting of the property tax credit, including procedures for granting partial credits for eligibility for less than a full taxable year. The estimated amount of all tax credits received by owners in any fiscal year must be reported by the Prince George's County Director of Finance as a tax expenditure for the fiscal year and must be included in the publication of the county's budget for any subsequent fiscal year with the estimated or actual county property tax revenue for the applicable fiscal year.

Property tax credits may not be granted for the cost of renovations incurred during the taxable year beginning after June 30, 2010 or for a newly constructed dwelling for which a building permit for construction was issued after July 1, 2010.

Current Law: None applicable.

Local Fiscal Effect: The bill could result in a potentially significant reduction in Prince George's County property tax revenues. However, the amount of the revenue reduction cannot be reliably estimated and depends on the number of newly constructed or renovated dwellings located in the specified areas and the assessed value of each property.

The State Department of Assessments and Taxation (SDAT) estimates that there are 2,612 accounts within a one-quarter mile radius of a Metrorail station and 6,663 accounts within a one-quarter mile radius of the Washington DC border. SDAT also indicates that it adds approximately \$200 million in new construction in Prince George's County to the tax rolls every quarter. The majority of growth in Prince George's County has been outside of the targeted areas.

As a point of reference, Baltimore City has had a similar tax credit program since 1996. The cost of the tax credit has increased from approximately \$20,000 in fiscal 1996 to an estimated \$3.2 million in fiscal 2007.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Prince George's County, Department of Legislative Services

Fiscal Note History: First Reader - March 29, 2005
n/hlb

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