

**Department of Legislative Services**  
Maryland General Assembly  
2005 Session

**FISCAL AND POLICY NOTE**

House Bill 1109  
Ways and Means

(Prince George's County Delegation)

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**Prince George's County - Homestead Credit Percentage - Homeland Security  
Funding  
PG 321-05**

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This bill prohibits Prince George's County from setting a homestead property tax credit percentage of less than 5% for any taxable year, until an 800 megahertz communications tower for homeland security use has been purchased and erected in the county. Prince George's County must distribute any additional revenue generated from this provision to a special fund to purchase and erect an 800 megahertz communications tower for homeland security. The restriction on the homestead property tax credit percentage would not apply after the tower is purchased and erected.

The bill takes effect July 1, 2005.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Prince George's County property tax revenues could increase by \$14.7 million in FY 2007. Municipal revenues could increase by \$612,000 in FY 2007. Revenues would increase in future years due to increases in the assessable base and until the tower is purchased and erected. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** None.

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## Analysis

**Current Law:** The Prince George's County homestead property tax credit percentage is currently set at 2% for fiscal 2005.

**Background:** The homestead property tax credit percentage limits annual assessment increases to 10% for State property tax purposes. Local governments have the authority to lower the rate for local property tax purposes. The credit is applied against the tax due on the portion of the reassessment, if any, exceeding 10% (or the lower local limit) from one year to the next. In fiscal 2005, 10 of the 24 jurisdictions in Maryland have assessment limits below 10%: Garrett, Howard, Kent, St. Mary's, and Worcester counties – 5%; Baltimore City and Baltimore County – 4%; Anne Arundel and Prince George's counties – 2%; and Talbot County – 0%.

**Local Fiscal Effect:** The State Department of Assessments and Taxation (SDAT) must certify, by March 1 of each year, the county assessable base resulting from the application of a homestead property tax credit percentage of 5% and the application of a homestead property tax credit percentage of 2%. Due to the certification requirement for calculating the homestead property tax credit, fiscal 2007 would be the first year that this provision would take effect. Accordingly, the county assessable base in Prince George's County for county property tax purposes would increase by \$1.6 billion in fiscal 2007 and by \$4.7 billion in fiscal 2008. Due to the additional assessable base, Prince George's County property tax revenues could increase by approximately \$14.7 million in fiscal 2007 and by up to \$126.6 million in fiscal 2010, assuming the increased homestead property tax credit percentage is still in effect. **Exhibit 1** shows the change in the assessable base that would result from increasing the homestead property tax credit percentage to 5% compared to 2% pursuant to the bill and the corresponding revenue increase.

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### Exhibit 1 Estimated Change in Assessable Base and Resulting Revenue Increase

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Assessable Base	\$1.6 billion	\$4.7 billion	\$8.0 billion	\$13.6 billion
Revenue Increase	\$14.7 million	\$43.9 million	\$74.9 million	\$126.6 million

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There are 27 municipalities in Prince George's County. Currently, College Park (1%) and Upper Marlboro (0%) have independently set a homestead property tax credit of less than 5%. Nine additional municipalities in Prince George's County have not set a

homestead property tax credit by resolution and follow the county percentage. Pursuant to this legislation, the homestead property tax credit percentage for municipal tax purposes in these jurisdictions will also increase. As a result, these jurisdictions would have an increase in the assessable base and a corresponding increase in property tax revenues. **Exhibit 2** shows the revenue increases by municipality resulting from the bill. The remaining municipalities are not affected since their homestead property tax credit percentage for municipal tax purposes is already above 5%.

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**Exhibit 2**  
**Projected Municipal Revenue Increases**

<b><u>Municipality</u></b>	<b><u>FY 2007</u></b>	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>	<b><u>FY 2010</u></b>
Brentwood	\$21,859	\$83,858	\$129,770	\$199,011
Capitol Heights	34,595	51,233	81,673	122,120
College Park	406,236	1,211,998	2,260,590	4,191,029
Eagle Harbor	355	1,312	2,091	3,303
Edmonston	10,227	44,206	69,261	107,776
Fairmount Heights	12,918	21,019	33,203	49,656
Forest Heights	32,104	78,822	128,683	205,405
Glenarden	39,202	65,238	102,174	151,636
Landover Hills	15,393	26,034	41,113	61,585
Seat Pleasant	30,651	40,880	66,369	99,254
Upper Marlboro	8,522	29,679	43,991	64,379
<b>Total</b>	<b>\$612,063</b>	<b>\$1,654,278</b>	<b>\$2,958,918</b>	<b>\$5,255,153</b>

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The bill provides that the increase in the homestead tax credit percentage is only in effect until an 800 megahertz communications tower for homeland security has been purchased and erected in the county.

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**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 15, 2005  
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