

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 1081

(Senator Dyson)

Budget and Taxation

Ways and Means

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

This bill extends, from June 30, 2008 to June 30, 2010, the termination date of a county property tax credit for individuals over age 70 in St. Mary's County.

The bill takes effect June 1, 2006.

Fiscal Summary

State Effect: None.

Local Effect: St. Mary's County property tax revenues would decrease beyond FY 2008. It is estimated that revenues could decrease by \$903,600 in FY 2009 and by approximately \$1.2 million in FY 2010.

Small Business Effect: None.

Analysis

Current Law: Chapter 195 of 2005 authorized 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 was 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 credit applied to tax years beginning July 1, 2005 through June 30, 2008.

Background: St. Mary's County has enacted a property tax credit for senior citizens. In order to qualify for the credit, residents must be at least 70 years old as of July 1, of the year applying for the credit, and must have net taxable household income of no more than \$80,000. The amount of the credit is equal to the amount of the increase in the county's real property tax assessed that year over the county's real property tax assessed in the base year (year eligible for the credit).

Local Fiscal Effect: St. Mary's County indicates that, to date, it has granted 765 property tax credits, totaling approximately \$47,400 in fiscal 2006. St. Mary's County property tax revenues would decrease after fiscal 2008. **Exhibit 1** shows the potential revenue decrease for fiscal 2007 through 2010, based on population projections, an average county assessment of \$162,830 for fiscal 2005, 5% annual assessment increases, and a county tax rate of \$0.872. The fiscal impact of this bill would begin in fiscal 2009.

Exhibit 1
Estimated Revenue Loss Resulting from Proposed Tax Credit

<u>Fiscal Year</u>	<u>Estimated Revenue Decrease</u>
2006 (actual)	(\$47,400)
2007	(393,970)
2008	(633,377)
2009	(903,596)
2010	(1,206,672)

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

Additional Comments: The Attorney General's Office indicates that the tax credit program passed by the county may be unconstitutional unless done as a temporary measure. The Maryland Constitution requires that all properties be taxed based on their assessment and that assessments be uniform within each class of property. The local law passed by the county, in effect, freezes assessments. Assessment freezes are considered unconstitutional because they violate the uniformity clause of Article 15 of the Maryland Constitution because, in essence, each property is treated as its own "class" of property.

Additional Information

Prior Introductions: None.

Cross File: HB 623 (St. Mary's County Delegation) – Ways and Means.

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

Fiscal Note History: First Reader - March 21, 2006
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