

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1065
Ways and Means

(Washington County Delegation)

Budget and Taxation

Washington County - Property Tax Credit

This bill authorizes Washington County to grant, by law, a credit against the county property tax imposed on a dwelling for the taxable year that begins July 1, 2006. If authorized, the credit must equal the county property tax imposed on the lesser of the assessed value of the dwelling or the amount that the county sets by law. The amount of any Homestead Property Tax Credit or Homeowners' Property Tax Credit must be disregarded for the purpose of calculating the credit. The total amount of the credit and any homestead and homeowners' property tax credits may not exceed the county property tax otherwise imposed on the dwelling. The county may provide, by law, for the maximum amount of assessed value of a dwelling as to which the credit could apply and any other provision necessary to administer the credit.

The bill takes effect June 1, 2006.

Fiscal Summary

State Effect: None.

Local Effect: Washington County property tax revenues could decrease to the extent that the property tax credit is granted. Expenditures would not be affected.

Small Business Effect: None.

Analysis

Current Law: Washington County’s homestead tax credit percentage is 10%. All municipalities in the county also have homestead tax credit percentages of 10%.

Background: The Homestead Tax Credit Program (assessment caps) provides tax credits against State, county, and municipal real property taxes for owner-occupied residential properties for the amount of real property taxes resulting from an annual assessment increase that exceeds a certain percentage or “cap” in any given year. The State requires the cap on assessment increases to be set at 10% for State property tax purposes; however, local governments have the authority to lower the rate. In fiscal 2007, 15 of the 24 local jurisdictions have assessment caps below 10% as illustrated in **Exhibit 1**. In addition, 65 of the State’s 156 municipalities have also lowered assessment caps below 10%. **Exhibit 2** shows the current county and municipal homestead tax credit percentages as well as the county and municipal property tax rates.

Exhibit 1 Counties with Assessment Caps Below 10% in Fiscal 2007

County	Cap	County	Cap	County	Cap
Anne Arundel	2%	Dorchester	5%	Prince George’s	3%
Baltimore City	4%	Frederick	5%	Queen Anne’s	5%
Baltimore	4%	Garrett	5%	St. Mary’s	5%
Carroll	7%	Howard	5%	Talbot	0%
Cecil	8%	Kent	5%	Worcester	3%

Source: State Department of Assessments and Taxation

Exhibit 2 Current Homestead Tax Credit Percentages and Property Tax Rates

	<u>Current</u>	<u>Tax Rate</u>		<u>Current</u>	<u>Tax</u>
Washington	10%	0.948			
Boonsboro	10	0.270	Keedysvill	10%	0.180
Clear Spring	10	0.190	Sharpsburg	10	0.170
Funkstown	10	0.220	Smithsburg	10	0.280
Hagerstown	10	0.798	Williamsp	10	0.400
Hancock	10	0.395			

Local Fiscal Effect: Washington County property tax revenues could decrease to the extent that the property tax credit is granted. The extent of the decrease depends on the credit amount.

The State Department of Assessments and Taxation (SDAT) indicates there are 17,949 owner-occupied residential properties in Washington County. The average assessment for fiscal 2006 is \$136,770 and the average homestead property tax credit is \$12,598. The Washington County property tax rate is \$0.948 per \$100 of assessment. *For illustrative purposes only*, if the county were to grant a property tax credit of \$500 per dwelling, county property tax revenues could decrease by approximately \$9.0 million in fiscal 2007.

Additional Information

Prior Introductions: None.

Cross File: SB 925 (Senator Munson) – Budget and Taxation.

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

Fiscal Note History: First Reader - February 27, 2006
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