

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 919

(Senator Lawlah, *et al.*)

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 credit against the county property tax imposed on newly constructed and renovated dwellings in the National Capital Preservation District.

The bill takes effect June 1, 2006 and is applicable to all taxable years beginning after June 30, 2006.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County property tax revenues could decrease beginning in FY 2007. The amount of the decrease depends on the number of residential properties that are renovated and constructed in the National Capital Preservation District and the value of these properties. No effect on expenditures.

Small Business Effect: None.

Analysis

Bill Summary: The National Capital Preservation District is defined as the area located in Prince George's County within one-quarter mile of the border shared between the county and the District of Columbia.

The property tax credit granted may not exceed the amount of county property tax imposed on the dwelling, less the amount of any other credit applicable in that year and, multiplied by:

- 50% for the first taxable year;
- 40% for the second taxable year;
- 30% for the third taxable year;
- 20% for the fourth taxable year;
- 10% for the fifth taxable year; and
- 0% for each taxable year thereafter.

The property tax credit may not exceed the lesser of 50% of the cost of the renovations or the county property tax otherwise due for the taxable year that begins after the completion of the renovations.

Prince George's County is authorized to provide for procedures necessary and appropriate for the submission of an application for and the granting of a property tax credit, including procedures for granting partial credits for eligibility for less than a full taxable year. Prince George's County is required to report the estimated amount of all tax credits received by owners in any fiscal year as a tax expenditure for that 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.

The credit may not be granted for the cost of renovations incurred during a taxable year beginning after June 30, 2011 or for a newly constructed dwelling for which a building permit for construction was issued on or after July 1, 2011.

Current Law: Prince George's County is not authorized to grant a property tax credit for newly constructed and renovated dwellings in the National Capital Preservation District.

Local Fiscal Effect: Prince George's County property tax revenues could decrease to the extent the county authorizes the tax credit. The amount of the decrease depends on the number of residential properties that are renovated or constructed in the National Capital Preservation District and the value of these properties.

The State Department of Assessments and Taxation indicates that there are 6,663 properties that are located in the proposed preservation district and that approximately 75% of them could be residential properties. However, it cannot be reliably estimated as

to how many of these properties may be renovated to become eligible for the property tax credit or how many new dwellings may be constructed.

The average residential assessment in Prince George's County for fiscal 2006 is \$155,104, and the county tax rate is \$1.319 per \$100 of assessment. County property tax revenues would decrease by \$1,319 for every \$100,000 subject to the tax credit.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 14, 2006
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