

Department of Legislative Services  
Maryland General Assembly  
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 126 (Senator Gladden)  
Budget and Taxation

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**Baltimore City - Property Tax Credit for Newly Constructed Dwellings -  
Hillsdale Heights Neighborhood Association Dwellings**

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This bill provides that a homeowner in Baltimore City who has purchased a newly constructed dwelling within the Hillsdale Heights Neighborhood Association after December 31, 2004, and who has not received a specified property tax credit, is eligible for a specified property tax credit even if specified filing deadlines have been missed, provided all other requirements are met.

The bill takes effect July 1, 2008.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Baltimore City property tax revenues could decrease by \$77,600 in FY 2009 and by \$18,100 in FY 2013 assuming all remaining eligible properties apply for and receive the credit beginning in FY 2009. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Baltimore City may grant a property tax credit against city property taxes imposed on newly constructed dwellings owned by qualified owners. Homeowners have 90 days from the settlement date to apply for the credit. The credit is 50% for the first

taxable year and decreases 10% each year until it expires after the fifth year. After June 30, 2009, additional owners of such properties may not be granted the credit.

**Background:** Chapter 616 of 1994 authorized Baltimore City to grant newly constructed or first purchased dwellings a property tax credit. Chapter 137 of 2000 extended the June 30, 2000 termination date until June 30, 2002. Chapter 493 of 2002 extended the June 30, 2002 termination date until June 30, 2005, and repealed the authority for Baltimore City's property tax credit for first purchased dwellings. Chapter 474 of 2005 extended the June 30, 2005 termination date until June 30, 2007. Chapter 228 of 2007 extended the June 30, 2007 termination date until June 30, 2009. **Exhibit 1** summarizes the number and amount of the credits since fiscal 1996.

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**Exhibit 1**  
**Baltimore City Property Tax Credit for Newly Constructed Dwellings**

<u>Fiscal Year</u>	<u>Number of Credits</u>	<u>Amount of Credits</u>
1996	30	\$20,295
1997	199	133,333
1998	15	229,663
1999	149	309,237
2000	141	330,747
2001	130	418,921
2002	211	481,490
2003	128	704,261
2004	170	1,120,122
2005	212	1,410,744
2006	993	1,800,000
2007	1,389	2,837,491
2008(est.)	1,700	4,900,000

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Baltimore City indicates that the credits are concentrated in three locations: (1) South Baltimore (in Federal Hill and Riverside neighborhoods); (2) the Boston Street Corridor (Fells Point and Canton); and (3) Heritage Crossing (Martin Luther Kind Blvd.).

**Local Fiscal Effect:** Information provided by the State Department of Assessments and Taxation and Baltimore City indicate the Hillside Heights Neighborhood Association is a development of approximately 30 single family residences. It is estimated that 18 properties are unsold, presumably the ones targeted by the bill. The average assessment is \$380,000. Assuming that all 18 properties apply for and receive the credit beginning

July 1, 2008, Baltimore City property tax revenues could decrease \$77,600 in fiscal 2009 and \$18,100 by fiscal 2013, as shown in **Exhibit 2**.

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**Exhibit 2**  
**Potential Effect of SB 126 on Baltimore City Revenues**

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Credit Percentage	50%	40%	30%	20%	10%
Number of Participants	18	18	18	18	18
Average Assessment	\$380,000	\$395,200	\$411,008	\$427,448	\$444,546
Tax Rate	2.268	2.268	2.268	2.268	2.268
Estimated Tax	8,618	8,963	9,322	9,695	10,082
Amount of Credit	4,309	3,585	2,796	1,939	1,008
<b>Revenue Decrease</b>	<b>(\$77,566)</b>	<b>(\$64,535)</b>	<b>(\$50,337)</b>	<b>(\$34,900)</b>	<b>(\$18,148)</b>

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To the extent the properties become eligible for the credit in later years, the amount of the projected revenue decrease would vary accordingly.

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**Additional Information**

**Prior Introductions:** None.

**Cross File** None.

**Information Source(s):** State Department of Assessments and Taxation, Baltimore City, Department of Legislative Services

**Fiscal Note History:** First Reader - January 28, 2008  
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