

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 781
Ways and Means

(Delegate James, *et al.*)

Budget and Taxation

Property Tax Credit - Seniors

This bill lowers the minimum age requirement, from 70 to 65 years of age, for the existing local property tax credit for senior citizens of limited income.

The bill takes effect June 1, 2009, and applies to all taxable years beginning after June 30, 2009.

Fiscal Summary

State Effect: None.

Local Effect: Assuming local governments grant the tax credit, county and municipal property tax revenues may decrease by a significant amount beginning in FY 2010 depending on the amount of the tax credit granted and the number of eligible recipients. Under one set of assumptions, county revenues may decrease by \$10.9 million and municipal revenues may decrease by \$637,800. County and municipal expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Chapter 455 of 2006 authorized Baltimore City, counties, and municipalities to grant a tax credit against the county or municipal property tax imposed on real property that is owned and used as the principal residence of an individual who is at least 70 years old and of limited income. Local governments are authorized to provide for the amount and duration of the tax credit, additional eligibility criteria for the

tax credit, regulations and procedures for the application and uniform processing of requests for the tax credit, and any other provisions necessary.

Background: The Homeowners' Property Tax Credit Program (Circuit Breaker) is a State-funded program (*i.e.*, the State reimburses local governments) providing credits against State and local real property taxation for homeowners who qualify based on a sliding scale of property tax liability and income. **Exhibit 1** shows the number of individuals qualifying for the tax credit and the total cost of the program since fiscal 2005, as referenced in the State budget.

Exhibit 1
Homeowners' Property Tax Credit Program
Fiscal 2005-2010

<u>Fiscal Year</u>	<u>Eligible Applications</u>	<u>State Funding</u>	<u>Average Credit Amount</u>
2005 Actual	48,666	\$39.5 million	\$812
2006 Actual	46,628	41.7 million	893
2007 Actual	48,290	45.6 million	944
2008 Actual	46,618	45.2 million	971
2009 Estimated	46,000	47.2 million	1,026
2010 Allowance	46,000	45.6 million	991

Source: *Maryland State Budget Document for Fiscal 2010, Volume 1*

Local Fiscal Effect: County and municipal property tax revenues may decrease beginning in fiscal 2010 to the extent that local jurisdictions grant the property tax credit authorized by the bill. However, the actual amount of the revenue decrease depends on the amount of any credit granted and the number of eligible homeowners. **Exhibit 2** shows, *for illustrative purposes only*, a potential effect on local governments of granting a 50% local property tax credit for individuals who are 65 to 69 years old and of limited income. The estimate is based on the following facts and assumptions:

- average assessment data for the tax year beginning July 1, 2008;
- current local property tax rates;
- limited income is defined as homeowners currently eligible for the Homeowners' Property Tax Credit Program (Circuit Breaker);

- the homeowners' property tax credit was issued to 33,832 homeowners who are at least 65 years old in fiscal 2009; and
- individuals who are between the ages of 65 and 69 are 30% of all individuals ages 65 and over.

The actual local impact will vary depending on the number of local jurisdictions granting a property tax credit and the eligibility requirements developed by each jurisdiction.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 3, 2009
ncs/hlb Revised - House Third Reader - March 28, 2009

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Exhibit 2
Potential Impact of a 50% Tax Credit for Homeowners Ages 65-69

County	Average Assessment	Tax Rate	Tax ¹	Eligible Residents 65-69 ²	50% Tax Credit
Allegany	\$91,404	\$0.9829	\$291	207	(\$30,122)
Anne Arundel	381,086	0.8880	2,593	856	(1,109,570)
Baltimore City	135,657	2.2680	2,036	2,231	(2,270,445)
Baltimore	257,944	1.1000	1,987	1,429	(1,419,509)
Calvert	348,201	0.8920	2,046	135	(137,701)
Caroline	198,075	0.8700	1,009	66	(33,188)
Carroll	320,822	1.0480	2,198	426	(468,622)
Cecil	243,002	0.9600	1,354	185	(125,240)
Charles	314,877	1.0260	2,169	184	(199,060)
Dorchester	179,787	0.8960	866	88	(38,050)
Frederick	328,388	1.0640	2,244	467	(523,581)
Garrett	133,450	1.0000	790	93	(36,787)
Harford	268,904	1.0820	1,744	538	(469,034)
Howard	446,077	1.1495	3,732	408	(761,298)
Kent	246,878	0.9720	1,584	40	(31,317)
Montgomery	525,271	0.9150	3,760	744	(1,398,672)
Prince George's	292,894	1.3190	2,549	1,026	(1,307,994)
Queen Anne's	383,231	0.7700	2,121	91	(96,831)
St. Mary's	291,240	0.8570	1,592	153	(121,444)
Somerset	126,680	0.9200	530	56	(14,910)
Talbot	449,024	0.4490	1,425	24	(16,780)
Washington	219,902	0.9480	1,150	343	(197,339)
Wicomico	173,760	0.8140	675	139	(46,955)
Worcester	284,828	0.7000	1,293	73	(47,354)
Total	\$276,724			10,000	(\$10,901,805)
Municipal Decrease					(\$637,756)

Note: ¹ After application of homeowners' property tax credit.

² Local governments are already authorized to grant a property tax credit to homeowners who are at least 70 years old and of limited income through Chapter 455 of 2006.