

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 143

(Delegate Anderson, *et al.*)

Ways and Means

Budget and Taxation

**Baltimore City - Newly Constructed Dwelling Property Tax Credit - Modification
and Reauthorization**

This bill modifies the existing Baltimore City property tax credit for newly constructed dwellings and extends the tax credit's termination date from June 30, 2009 to June 30, 2014.

The bill takes effect June 1, 2009.

Fiscal Summary

State Effect: None.

Local Effect: The decrease in Baltimore City property tax revenues resulting from the tax credit will continue through FY 2014. The decrease is estimated at \$4.7 million in FY 2010 and \$4.4 million in FY 2014. Expenditures are not affected.

Small Business Effect: None.

Analysis

Bill Summary: In addition to extending the termination date of the tax credit, the bill authorizes Baltimore City to (1) establish, by law, maximum limits on the cumulative amount of the credit that may be allowed for any year; (2) establish, by law, two application periods for the tax credit; and (3) grant, by law, a one-time amnesty period for owners who failed to meet the application deadline and who were denied the tax credit.

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 by 10 percentage points 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 Chapter 493 of 2002 extended the June 30, 2002 termination date until June 30, 2005, and repealed the authority for Baltimore City's property tax credit for first purchased dwellings.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.

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	165	1,038,136
2005	240	1,471,194
2006	474	1,653,005
2007	446	2,837,490
2008	444	2,848,550
2009*	351	3,120,237

*Note: Fiscal 2009 represent year-to-date credits.

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: Baltimore City estimates that extending the tax credit and creating an amnesty period for prior applicants will reduce property tax revenues by approximately \$4.7 million in fiscal 2010 and by \$4.4 million in fiscal 2014, as shown in **Exhibit 2**. However, the actual decrease depends on the number of newly constructed dwellings that are eligible for the tax credit during each fiscal year. The estimate is based on the following:

- Current tax credit recipients.
- Fiscal 2010 residential assessments and tax rates.
- 39 homeowners who did not qualify for the credit due to a missed deadline.
- 186 homeowners who may have qualified for the tax credit but did not apply.

Exhibit 2
Newly Constructed Dwelling Property Tax Credit

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Sunset Extension	(\$3,900,000)	(\$4,451,000)	(\$3,988,000)	(\$4,116,000)	(\$4,235,000)
Amnesty Provision	(821,369)	(689,950)	(543,335)	(380,335)	(199,676)
Total	(\$4,721,369)	(\$5,140,950)	(\$4,531,335)	(\$4,496,335)	(\$4,434,676)

Source: Baltimore City

Additional Information

Prior Introductions: None.

Cross File: SB 227 (Senators McFadden and Jones) (By Request - Baltimore City Administration) - Budget and Taxation.

Information Source(s): Baltimore City, Department of Legislative Services

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Analysis by: Michael Sanelli

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