

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 914 (Harford County Senators)  
Budget and Taxation

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Harford County - Tax Credit - First-Time Homebuyers

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This bill authorizes Harford County or a municipality in Harford County to grant, by law, a property tax credit for real property owned by a “first-time Maryland homebuyer.” The county and municipal governments are authorized to provide, by law, for the amount and duration of the tax credit, and any other provision necessary. A first-time Maryland homebuyer is defined as an individual who has never owned residential property in the State that has been the individual’s principal residence.

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

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Fiscal Summary

**State Effect:** None.

**Local Effect:** County and municipal property tax revenues in Harford County 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. Assuming that 10% of residential property sales are to first-time homebuyers, county revenues could decrease by \$727,400. County and municipal expenditures are not affected.

**Small Business Effect:** None.

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Analysis

**Current Law:** Harford County is authorized to grant a property tax credit against the county property tax imposed on the following:

- real property owned by any incorporated community association that is used as a public park, playground, or picnic area;
- property owned by the Habonim Camp Association Company;
- property owned by the Maryland Ornithological Society;
- real property owned by the North Harford Game and Fish Association that is located on Wheeler School Road;
- real property owned by the trustees of the Ladew Topiary Gardens that is located on Jarrettsville Pike;
- real property used primarily for an agricultural purpose and does not have an agricultural use assessment;
- real property used primarily for amateur sports events and is owned by the Havre de Grace Little League;
- real property located in an agricultural district or becomes subject to an agricultural preservation easement that has been conveyed to the Maryland Agricultural Land Preservation Foundation;
- real property owned by a Harford County volunteer fire or ambulance company, held for the future use as a station or substation site, as approved by the Harford County Volunteer Fire and Ambulance Association in their five-year plan; and is not currently exempt;
- owner-occupied residential real property that was completed on or before June 30, 1988, whose structural boundaries are within 1,000 feet of a refuse disposal system for which an active permit has been issued to the Harford County government, and is determined by the governing body of Harford County to have been adversely impacted by its proximity to the refuse disposal system;
- real property, only after July 1, 1993, located in the Harford County Agricultural District in accordance with the Harford County Agricultural Land Preservation Program under Chapter 60 of the Harford County Code, or becomes subject to an agricultural preservation easement that has been conveyed to Harford County in accordance with the Harford County Agricultural Land Preservation Program, under Chapter 60 of the Harford County Code;
- specified real property that is new construction or a substantial improvement to the real property of a commercial or industrial business that is or will be doing business in Harford County and will employ at least 12 additional full-time local employees by the second year the credit is allowed; and
- specified real property that is located in a Rural Legacy Area and for which the property owner has sold the development rights under the Rural Legacy Program.

**Background:** The American Recovery and Reinvestment Act of 2009, which was passed by Congress in February, includes among its many provisions an income tax SB 914 / Page 2

credit of up to \$8,000 for first-time homebuyers who purchase a home between January 1, 2009 and December 1, 2009. Under the federal law, a “first-time homebuyer” is defined as a buyer who has not owned a principal residence during the three-year period prior to the purchase. For married taxpayers, the law tests the homeownership history of both the homebuyer and his/her spouse. To qualify for the full credit, a single taxpayer can have an income up to \$75,000 and married couples can have incomes up to \$150,000.

**Local Fiscal Effect:** County and municipal revenues may decrease in Harford County beginning in fiscal 2010 to the extent the county grants a property tax credit for first-time homebuyers. However, the actual amount of the revenue decrease depends on the amount of any credit granted and the number of residential property sales to first-time homebuyers, neither of which can be reliably estimated at this time.

The Harford County real property tax rate is \$1.082 for each \$100 of assessment. The average assessment for residential property in the county is \$268,904. **Exhibit 1** shows the number of residential property sales in Harford County for fiscal 2004 through 2008. *For illustrative purposes only*, if Harford County granted a 100% property tax credit for first-time homebuyers and there were 250 first-time homebuyers in the county in fiscal 2010, Harford County property tax revenues will decrease by approximately \$727,400, or \$2,900 for each tax credit granted.

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**Exhibit 1**  
**Residential Property Sales in Harford County**  
**Fiscal 2004-2008**

<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
4,622	5,109	5,112	3,961	2,827

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Harford County, Maryland Association of Realtors, State Department of Assessments and Taxation, Department of Legislative Services

**Fiscal Note History:** First Reader - March 20, 2009  
ncs/hlb

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