

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

Revised

Senate Bill 139

(Senator Madaleno, *et al.*)

Budget and Taxation

Ways and Means

**Property Tax - Exemption for Disabled Public Health Service and NOAA Officers
and Surviving Spouses**

This bill alters the definition of disabled veteran for purposes of a property tax exemption. A disabled veteran is defined as an individual who is honorably discharged or released under honorable circumstances from active military, naval, or air service as defined in 38 U.S.C. Section 101. This would extend coverage to include commissioned officers of the Public Health Services and the National Oceanic and Atmospheric Administration (NOAA).

The bill takes effect June 1, 2010, and applies to taxable years beginning after June 30, 2010.

Fiscal Summary

State Effect: Special fund revenues decrease by \$4,900 beginning in FY 2011 as a result of the exemption provided by the bill. Expenditures are not affected.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
SF Revenue	(\$4,900)	(\$4,900)	(\$4,900)	(\$4,900)	(\$4,900)
Expenditure	0	0	0	0	0
Net Effect	(\$4,900)	(\$4,900)	(\$4,900)	(\$4,900)	(\$4,900)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local government revenues decrease by \$43,500 beginning in FY 2011 as a result of the exemption provided by the bill. Expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: The real property of disabled veterans is exempt from taxation, if specified requirements are met. A disabled veteran is an individual who is honorably discharged or released under honorable circumstances from active service in any branch of the U.S. Armed Forces. Real property owned by the surviving spouse of a disabled veteran and the surviving spouse of an individual who died in the line of duty while in active military, naval, or air service of the United States is exempt from taxation. In addition, a home owned by the surviving spouse of a veteran of the U.S. Armed Forces who receives Dependency and Indemnity Compensation from the U.S. Department of Veterans Affairs, if the veteran qualifies posthumously for 100% service connected disability is eligible for a property tax exemption under specified circumstances.

Background: In fiscal 2011, approximately 4,800 property owners will receive a property tax exemption for being either a disabled veteran or the surviving spouse of a disabled veteran; the total assessment for these properties is \$1.4 billion. With the State property tax rate set at \$0.112 per \$100 of assessed value, the property tax exemption will result in a \$1.5 million decrease in State property tax revenues.

All State property tax revenues are credited to a special fund, the Annuity Bond Fund, dedicated exclusively to paying the debt service on State general obligation bonds. Local governments generally have the authority to set their own property tax rates.

State Fiscal Effect: The bill has the effect of expanding the definition of disabled veteran to cover individuals serving as commissioned officers of the Public Health Service and NOAA disabled while in service. These individuals receive the same benefits under federal law as those veterans who served in the armed forces. Currently, approximately 6,300 individuals nationwide serve in the Public Health Services and NOAA.

There are 13 individuals in the State who are either a disabled public health service employee or the surviving spouse of a public health service employee. As a result, special fund revenues may decrease by \$4,900 beginning in fiscal 2011 as a result of the expanded exemption provided by the bill.

The estimate is based on the following:

- there are 13 individuals who are either disabled public health service employees or are the surviving spouse of a public health service employee;
- the average assessment for owner-occupied residential properties in Maryland is \$334,520 in fiscal 2011; and
- the State property tax rate is \$0.112 per \$100 of assessment.

Local Fiscal Effect: Local government revenues decrease by \$43,500 fiscal 2011 as a result of the exemption provided by the bill. The estimate is based on 13 individuals in the State who are either disabled public health service employees or a surviving spouse of a public health service employee. **Exhibit 1** illustrates the estimated effect on local government revenues for each disabled veteran who qualifies for the property tax exemption in each county, based on owner-occupied properties, assessable base estimates for fiscal 2011, and current county property tax rates.

Exhibit 1
Potential Effect on County Property Tax Revenue
For Each Individual Granted a Property Tax Exemption
Fiscal 2011

<u>County</u>	<u>Average Assessment</u>	<u>Tax Rate</u>	<u>Average Tax Bill</u>	<u>Tax Exemption</u>
Allegany	\$110,394	\$0.983	\$1,085	(\$1,085)
Anne Arundel	388,692	0.876	3,405	(3,405)
Baltimore City	160,479	2.268	3,640	(3,640)
Baltimore	281,919	1.100	3,101	(3,101)
Calvert	376,552	0.892	3,359	(3,359)
Caroline	230,242	0.870	2,003	(2,003)
Carroll	329,221	1.048	3,450	(3,450)
Cecil	265,084	0.940	2,492	(2,492)
Charles	308,207	1.026	3,162	(3,162)
Dorchester	208,354	0.896	1,867	(1,867)
Frederick	318,627	1.064	3,390	(3,390)
Garrett	156,863	0.990	1,553	(1,553)
Harford	293,754	1.064	3,126	(3,126)
Howard	441,888	1.150	5,080	(5,080)
Kent	299,098	0.972	2,907	(2,907)
Montgomery	493,800	0.916	4,523	(4,523)
Prince George's	320,198	1.319	4,223	(4,223)
Queen Anne's	408,460	0.770	3,145	(3,145)
St. Mary's	327,205	0.857	2,804	(2,804)
Somerset	149,012	0.900	1,341	(1,341)
Talbot	512,702	0.432	2,215	(2,215)
Washington	226,913	0.948	2,151	(2,151)
Wicomico	189,456	0.759	1,438	(1,438)
Worcester	271,601	0.700	1,901	(1,901)

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Department of Veterans Affairs, Department of Legislative Services

Fiscal Note History: First Reader - February 1, 2010
mam/hlb Revised - Senate Third Reader - April 1, 2010

Analysis by: Michael Sanelli

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