

Department of Legislative Services  
 Maryland General Assembly  
 2012 Session

FISCAL AND POLICY NOTE

House Bill 976 (Delegate Vitale, *et al.*)  
 Ways and Means

Property Tax - Exemption for Blind Individuals and Surviving Spouses

This bill expands an existing property tax exemption for blind individuals or their surviving spouses by increasing from \$15,000 to \$30,000, the amount of the assessed value of the individual’s dwelling that is exempt from property taxes.

The bill takes effect June 1, 2012, and applies to all taxable years beginning after June 30, 2012.

Fiscal Summary

**State Effect:** Annuity Bond Fund revenues decrease by \$38,500 beginning in FY 2013. This decrease may require either (1) an increase in the State property tax rate; or (2) a general fund appropriation to cover debt service on the State’s general obligation bonds. Future year revenues reflect a constant number of exemptions being granted and stable assessments.

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
SF Revenue	(\$38,500)	(\$38,500)	(\$38,500)	(\$38,500)	(\$38,500)
Expenditure	0	0	0	0	0
Net Effect	(\$38,500)	(\$38,500)	(\$38,500)	(\$38,500)	(\$38,500)

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

**Local Effect:** Local property tax revenues decrease by approximately \$445,000 beginning in FY 2013. County expenditures are not affected.

**Small Business Effect:** None.

## Analysis

**Current Law:** Dwelling houses owned by specified blind individuals or their surviving spouses are provided a property tax exemption of \$15,000 from the total assessed value.

**Background:** While local governments have limited ability to alter real property exemptions, they have been granted broad authority to exempt certain types of personal property from property taxation. The types of property exempt from local taxation are enumerated in Title 7 of the Tax-Property Article. Exemptions apply to State property taxation as well, although the State does not tax personal property. The major exemptions from the local property tax are local, State, and federal government property; property of religious organizations; cemeteries and mausoleums; nonprofit hospitals; portions of continuing care facilities for the elderly; property of charitable, fraternal, and educational institutions; property used for national defense or military housing; property of national veterans' organizations; homes of disabled veterans and the blind (partial exemption), or a surviving spouse of either; property of historical societies and museums; property owned by certain taxpayers engaged in building, operating, and managing nonprofit multifamily units, subject to local government approval; and property owned by fire companies, rescue squads, community water corporations, and housing authorities.

**State Fiscal Effect:** The current property tax exemption for blind individuals will reduce the taxable assessable base by approximately \$34.4 million in fiscal 2013, as shown in **Exhibit 1**. By doubling the amount of the exemption, State property tax revenues will decrease by \$38,500 beginning in fiscal 2013. This estimate is based on the State's current property tax rate of \$0.112 per \$100 of assessed value.

Debt service payments on the State's general obligation bonds are paid from the Annuity Bond Fund. Revenue sources for the fund include State property taxes, premium from bond sales, and repayments from certain State agencies, subdivisions, and private organizations. General funds may be appropriated directly to the Annuity Bond Fund to make up any differences between the debt service payments and funds available from property taxes and other sources. The fiscal 2013 State budget includes \$921.6 million for general obligation debt service costs, including \$908.1 million in special funds from the Annuity Bond Fund, \$1.6 million in transfer tax revenues, and \$12.0 million in federal funds.

To offset the reduction in State property tax revenues, general fund expenditures could increase in an amount equal to the decrease in the Annuity Bond Fund revenues or the State property tax rate would have to be increased in order to meet debt service payments. This assumes that the Annuity Bond Fund does not have an adequate fund balance to cover the reduction in State property tax revenues.

**Local Fiscal Effect:** The State Department of Assessments and Taxation (SDAT) advises that the current property tax exemption for homes owned by blind individuals or their surviving spouses reduces the property tax base by approximately \$34.4 million. As a result, increasing the exemption amount from \$15,000 of assessed value to \$30,000 of assessed value will reduce county property tax revenues by approximately \$416,000 beginning in fiscal 2013. In addition, municipal property tax revenues may decrease by approximately \$29,000 resulting in a total local revenue decrease of \$445,000.

Exhibit 1 shows the current number of property tax accounts that qualify for the exemption and the total amount of the exemptions in each county and the revenue effect on county governments of doubling the current exemption amount. The estimate assumes that all properties have a total assessed value of greater than \$30,000.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 6 (Senator Reilly) - Budget and Taxation.

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

**Fiscal Note History:** First Reader - February 14, 2012  
ncs/hlb

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**Exhibit 1**  
**Effect of Increasing Exemption from \$15,000 to \$30,000**

<b>County</b>	<b>Accounts</b>	<b>Current Exemption Amount</b>	<b>Proposed Exemption Amount</b>	<b>FY 2012 Tax Rate</b>	<b>County Revenue Decrease</b>
Allegany	65	\$975,000	\$1,950,000	\$0.9820	(\$9,575)
Anne Arundel	168	2,520,000	5,040,000	0.9100	(22,932)
Baltimore City	341	5,051,000	10,102,000	2.2680	(114,557)
Baltimore	446	6,690,000	13,380,000	1.1000	(73,590)
Calvert	14	210,000	420,000	0.8920	(1,873)
Caroline	24	360,000	720,000	0.8700	(3,132)
Carroll	66	990,000	1,980,000	1.0280	(10,177)
Cecil	38	561,000	1,122,000	0.9401	(5,274)
Charles	35	525,000	1,050,000	1.0665	(5,599)
Dorchester	36	540,000	1,080,000	0.9760	(5,270)
Frederick	74	1,110,000	2,220,000	1.0640	(11,810)
Garrett	28	420,000	840,000	0.9900	(4,158)
Harford	99	1,485,000	2,970,000	1.0420	(15,474)
Howard	99	1,466,000	2,932,000	1.1495	(16,852)
Kent	18	270,000	540,000	1.0220	(2,759)
Montgomery	294	4,410,000	8,820,000	0.9590	(42,292)
Prince George's	202	2,986,000	5,972,000	1.3190	(39,388)
Queen Anne's	30	450,000	900,000	0.8471	(3,812)
St. Mary's	31	465,000	930,000	0.8570	(3,985)
Somerset	6	90,000	180,000	0.8837	(795)
Talbot	13	195,000	390,000	0.4480	(874)
Washington	83	1,230,000	2,460,000	0.9480	(11,660)
Wicomico	55	825,000	1,650,000	0.7690	(6,344)
Worcester	36	540,000	1,080,000	0.7000	(3,780)
<b>Total</b>	<b>2,301</b>	<b>\$34,364,000</b>	<b>\$68,728,000</b>		<b>(\$415,962)</b>

Source: State Department of Assessments and Taxation; Department of Legislative Services