

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 932
Ways and Means

(Delegate Murphy, *et al.*)

Budget and Taxation

Charles County - Property Tax Credit - Senior Citizens Receiving Social Security Benefits

This bill authorizes Charles County to grant a property tax credit for real property owned by senior citizens receiving Social Security benefits. To be eligible for the property tax credit, the individuals must be at least 65 years old, receive benefits under the Social Security Act, and own and use the real property as their principal residence. The county may provide for (1) the amount and duration of the property tax credit; (2) additional eligibility criteria for the tax credit; (3) regulations and procedures for the application and uniform processing of requests for the tax credit; and (4) any other provisions necessary to carry out the tax credit.

The bill takes effect June 1, 2014, and applies to taxable years beginning after June 30, 2014.

Fiscal Summary

State Effect: None.

Local Effect: Charles County property tax revenues may decrease by a significant amount to the extent the property tax credit is authorized. The amount of the decrease depends on the number of eligible Social Security recipients and the amount of the tax credit. County expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Charles County is authorized to grant a property tax credit for (1) agricultural land located in an agricultural preservation district; (2) buildings, other than tobacco barns, located on land that qualifies for an agricultural use assessment and used in connection with a recognized and approved agricultural activity; and (3) real property that is subject to a perpetual conservation easement donated to the Conservancy for Charles County or another qualified entity approved by the county commissioners.

Local Fiscal Effect: Charles County property tax revenues may decrease by a significant amount to the extent that the property tax credit is authorized. The amount of the revenue decrease will depend on (1) the number of eligible Social Security recipients who are homeowners and at least 65 years old and (2) the amount of the tax credit. Based on data from the U.S. Census Bureau, approximately 6,400 homeowners may be eligible for the property tax credit. Based on the current county property tax rate and average residential assessment, the average property tax bill in Charles County totals approximately \$2,900. *For illustrative purposes only*, if the county provides a 50% property tax credit to eligible homeowners, Charles County property tax revenues may decrease by approximately \$9.3 million annually. This estimate is based on the following facts and assumptions:

- The U.S. Census Bureau indicates that 10,913 individuals in Charles County received Social Security benefits in calendar 2012 and an additional 1,836 individuals received supplemental Social Security income.
- The Comptroller's Office indicates that 7,168 income tax returns filed by Charles County residents in tax year 2011 reported taxable Social Security and Railroad Retirement benefits. As some portion of Social Security and Railroad Retirement benefits may be nontaxable, the data from the Comptroller's Office likely understates the number of potential eligible tax credit recipients in the county.
- The U.S. Census Bureau indicates that the homeownership rate in Maryland is 68.1%.
- The State Department of Assessments and Taxation reports that the average residential assessment in Charles County, after the application of the Homestead Property Tax Credit, is \$242,313.
- The Charles County real property tax rate for fiscal 2014 is \$1.205 per \$100 of assessment.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Charles County, U.S. Census Bureau, Comptroller's Office, State Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2014
ncs/hlb

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