

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 314

(Delegate Anderson, *et al.*) (By Request - Baltimore City Administration)

Ways and Means

Budget and Taxation

Baltimore City - Property Tax Credit - Newly Constructed Dwellings

This bill extends the termination date of the existing Baltimore City property tax credit for newly constructed dwellings from June 30, 2014, to June 30, 2019. The bill also repeals a one-time amnesty period for owners who failed to meet the application deadline and who were denied 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: Baltimore City property tax revenues resulting from the tax credit will continue to decrease by approximately \$3.5 million annually through FY 2019. Expenditures are not affected.

Small Business Effect: None.

Analysis

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.

Baltimore City is authorized 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.

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 Chapter 493 of 2002 extended the June 30, 2002 termination date until June 30, 2005, and repealed the authorization for a city property tax credit for first purchased dwellings.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. Chapter 373 of 2009 extended the June 30, 2009 termination date to June 30, 2014. **Exhibit 1** summarizes the number and amount of the credits since fiscal 1996.

Baltimore City indicates that the credits are concentrated in three locations: (1) South Baltimore (Federal Hill and Riverside neighborhoods); (2) the Boston Street Corridor (Fells Point and Canton); and (3) Heritage Crossing (Martin Luther King Blvd.).

Local Fiscal Effect: Baltimore City estimates that extending the tax credit will continue to reduce property tax revenues by approximately \$3.5 million through fiscal 2019. However, the actual decrease depends on the number of newly constructed dwellings that are eligible for the tax credit during each fiscal year.

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	1,120,122
2005	240	1,471,194
2006	474	1,653,005
2007	446	2,837,490
2008	444	2,848,550
2009	376	3,999,694
2010	371	5,002,670
2011	262	3,948,945
2012	223	3,044,908
2013	362	3,643,915
2014*	282	3,153,662

*Note: Fiscal 2014 represent year-to-date credits.

Additional Information

Prior Introductions: None.

Cross File: SB 267 (Baltimore City Senators)(By Request - Baltimore City Administration) - Budget and Taxation.

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

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