

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 526

(Senator Ferguson, *et al.*)

Budget and Taxation

Rules and Executive Nominations

Baltimore City - Property Tax Credit - Rental Discount for Baltimore City
Public Safety Officers

This bill authorizes Baltimore City to grant a property tax credit for a rental dwelling that provides a rental discount to specified Baltimore City public safety officers. Baltimore City may establish (1) the amount and duration of the property tax credit; (2) additional requirements for or limitations on eligibility for the property tax credit; and (3) any other provision necessary to implement the property tax credit.

The bill takes effect June 1, 2017, and applies to taxable years beginning July 1, 2017, through June 30, 2020.

Fiscal Summary

State Effect: None.

Local Effect: Baltimore City property tax revenues may decrease by a significant amount in FY 2018 through 2020 to the extent the property tax credit is authorized. The amount of the decrease depends on the number of Baltimore City public safety officers who rent apartments in the city and the amount of rental discounts that are provided. Baltimore City expenditures are not affected.

Small Business Effect: None.

Analysis

Bill Summary: Baltimore City is authorized to grant, by law, a property tax credit against the city property tax imposed on a rental dwelling that is owned by a qualified landlord if

(1) the qualified landlord provides a rental discount to a qualified tenant (Baltimore City public safety officer) for a rental dwelling unit and (2) the rent amount before the discount is comparable to the fair market rental value of the dwelling unit.

A qualified landlord means a landlord that (1) owns a rental dwelling and (2) leases a dwelling unit in the rental dwelling to a qualified tenant. A qualified tenant is an individual lessee who (1) resides in a rental dwelling owned by a qualified landlord and (2) is a Baltimore City public safety officer. A public safety officer is a firefighter, an emergency medical technician, or a law enforcement officer who is a sworn member of and employed full time by the Baltimore City Fire Department, the Baltimore City Police Department, or the Baltimore City Sheriff's Office.

Current Law: Chapters 558 and 559 of 2016 authorize Baltimore City to grant, by law, a property tax credit for a dwelling owned by a Baltimore City public safety officer if the public safety officer is otherwise eligible for the homestead property tax credit. The amount of the property tax credit may not exceed \$2,500 per dwelling in any taxable year.

Local Fiscal Effect: Baltimore City property tax revenues decrease in fiscal 2018 through 2020 to the extent the property tax credit is authorized. The amount of the decrease depends on the number of Baltimore City public safety officers who rent apartments in the city and the amount of rental discounts that are provided, neither of which can be reliably estimated at this time.

The fiscal 2017 Baltimore City budget assumes 3,125 funded positions within the Baltimore City Police Department, of which 2,400 are sworn officers; 1,731 funded positions in the Baltimore City Fire Department, including 319 in the Emergency Medical Services; and 219 funded positions in the Baltimore City Sheriff's Office. Baltimore City does not have data as to the number of officers who rent a dwelling in the city. If, *for illustrative purposes*, 25% of public safety officers were to rent a dwelling in Baltimore City at a cost of \$900 a month, and a tax credit equal to a 25% rental discount was provided for each officer, Baltimore City property tax revenues may decrease by \$2.9 million annually over the three-year period.

Additional Information

Prior Introductions: None.

Cross File: HB 640 (Delegate Haynes, *et al.*) - Ways and Means.

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

Fiscal Note History: First Reader - February 14, 2017
mm/hlb Third Reader - April 10, 2017
Revised - Amendment(s) - April 10, 2017

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