

Department of Legislative Services  
Maryland General Assembly  
2020 Session

**FISCAL AND POLICY NOTE**  
**Enrolled - Revised**

Senate Bill 63

(Senator Hayes)

Budget and Taxation

Ways and Means

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**Baltimore City - Property Tax Credit for Newly Constructed Dwellings -  
Reauthorization and Modification**

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This bill reauthorizes Baltimore City to grant a property tax credit for specified newly constructed dwellings by extending the termination date of the property tax credit from June 30, 2019, to June 30, 2025. The bill also alters eligibility requirements for the property tax credit as well as the calculation of the property tax credit. **The bill takes effect June 1, 2020, and applies to taxable years beginning after June 30, 2020.**

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Baltimore City property tax revenues decrease by approximately \$1.2 million in FY 2021 and by \$3.9 million in FY 2025. Expenditures are not affected.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** An eligible dwelling is defined as residential real property that is a newly constructed dwelling or a substantially rehabilitated dwelling. A major building component is a component, at least 50% of which is replaced, that (1) is significant to the dwelling and its use; (2) is normally expected to last the useful life of the dwelling; and (3) is not minor or cosmetic. A major building component includes roof structures; wall or floor structures; foundations; or plumbing, central heating and air conditioning, or electrical systems.

A substantially rehabilitated dwelling is defined as residential real property that, on or after July 1, 2020, has undergone repairs, replacements, or improvements (1) of two or more major building components; (2) that comply with local laws and regulations; and (3) for which the direct construction costs incurred by the owner exceed \$6,500 or, after the completion of the repairs, replacements, or improvements, 30% of the property's assessed value in the taxable year. A substantially rehabilitated dwelling does not include a specified rehabilitated vacant dwelling.

The amount of the property tax credit varies depending on the assessed value of the dwelling and the property tax credit phases out after five years.

**Current Law:** Baltimore City was authorized to grant a property tax credit against city property taxes imposed on newly constructed dwellings owned by qualified owners, prior to the termination of the law. Homeowners had 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 was 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.

The property tax credit terminated June 30, 2019. Baltimore City passed legislation (19-0414) for specified high performance newly constructed dwellings. The legislation terminates June 30, 2021.

**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 until June 30, 2014. Chapters 478 and 479 of 2014 extended the June 30, 2014 termination date to June 30, 2019. **Exhibit 1** summarizes the number and amount of the credits since fiscal 1996.

**Local Fiscal Effect:** Baltimore City estimates that extending the tax credit will reduce property tax revenues by approximately \$1.2 million in fiscal 2021 and by \$3.9 million in fiscal 2025. However, the actual decrease depends on the number of newly constructed dwellings that are eligible for the tax credit during each fiscal year.

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**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	247	4,016,030
2012	233	3,164,268
2013	253	3,619,532
2014	226	3,147,838
2015	188	2,823,800
2016	259	2,354,271
2017	203	2,296,387
2018	149	2,022,954
2019*	218	2,139,502

\*Note: Fiscal 2019 represents credits granted through March 2019.

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**Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 1189 (Delegate Smith) - Ways and Means.

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

**Fiscal Note History:** First Reader - January 14, 2020  
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