

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 245 (Delegate Hogan)
Ways and Means

Property Tax - Exemption for Property Owned by Affordable Housing Land Trust

This bill authorizes county and municipal governments to exempt real property from the county or municipal property tax if the real property is owned by an affordable housing land trust and not subject to an affordable housing land trust agreement.

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

Fiscal Summary

State Effect: None.

Local Effect: Local property tax revenues may decrease beginning in FY 2015 to the extent the exemption is granted. The amount of the revenue decrease depends on the number of eligible properties, the assessed value of each property, and the jurisdiction's real property tax rate.

Small Business Effect: Minimal.

Analysis

Current Law: Major exemptions from the local real property tax include 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.

An “affordable housing land trust” is defined as an entity that (1) provides affordable housing to low-income families and moderate-income families through an affordable housing land trust agreement and (2) is organized or managed by a nonprofit organization exempt from taxation under § 501(c)(2), (3), or (4) of the Internal Revenue Code; or a unit or instrumentality of the State or a political subdivision of the State.

An “affordable housing land trust agreement” is an agreement between an affordable housing land trust and a purchaser of real property owned by the affordable housing land trust, or for which the affordable housing land trust has a proprietary or reversionary interest, that (1) grants the affordable housing land trust a preemptive right to purchase or repurchase the property, including any improvements on the property; (2) contains language restricting the transfer, lease, sublease, assignment, or occupancy of the property with regard to potential transferees, sublessees, assignees, or occupants; and the price at which the property may be transferred; or (3) imposes other conditions on the use or transfer of the property that would trigger a reversionary interest and that are designed to ensure that the property remains available and affordable to low-income families and moderate-income families.

Local Fiscal Effect: County property tax revenues may decrease beginning in fiscal 2015, to the extent the exemption is granted to certain affordable housing land trusts. The amount of the revenue decrease depends on the number of eligible properties, the assessed value of each property, and the jurisdiction’s real property tax rate.

The State Department of Assessments and Taxation (SDAT) has identified two properties, each located in Frederick County and owned by the Frederick County Affordable Housing Land Trust LLC, that will be eligible for the exemption proposed by the bill. The two properties have property tax liabilities totaling \$2,200 and \$1,400, respectively, for fiscal 2014. To the extent the property tax exemption is authorized, Frederick County property tax revenues will decrease by approximately \$3,600 annually, beginning in fiscal 2015.

To the extent there are other eligible properties in the State not identified by SDAT, the effect of the exemption will vary accordingly. As a point of reference, **Exhibit 1** shows the effect of one residential property tax exemption in each county.

Exhibit 1
Effect of One Affordable Housing Land Trust Exemption

County	Average Residential Assessment	Property Tax Rate	Revenue Decrease
Allegany	\$90,480	\$0.9800	(\$887)
Anne Arundel	246,968	0.9500	(2,346)
Baltimore City	112,319	2.2480	(2,525)
Baltimore	206,760	1.1000	(2,274)
Calvert	263,971	0.8920	(2,355)
Caroline	158,684	0.9400	(1,492)
Carroll	303,942	1.0180	(3,094)
Cecil	212,968	0.9907	(2,110)
Charles	242,313	1.2050	(2,920)
Dorchester	186,138	0.9760	(1,817)
Frederick	268,992	1.0640	(2,862)
Garrett	121,468	0.9900	(1,203)
Harford	239,401	1.0420	(2,495)
Howard	352,116	1.1900	(4,190)
Kent	213,969	1.0220	(2,187)
Montgomery	317,740	1.0210	(3,244)
Prince George's	214,616	1.3190	(2,831)
Queen Anne's	336,629	0.8471	(2,852)
St. Mary's	239,399	0.8570	(2,052)
Somerset	84,262	0.9150	(771)
Talbot	235,762	0.5120	(1,207)
Washington	162,093	0.9480	(1,537)
Wicomico	159,053	0.9086	(1,445)
Worcester	182,128	0.7700	(1,402)
Total			(\$52,096)

Note: Average residential assessment includes the deduction for the Homestead Tax Credit.
Source: State Department of Assessments and Taxation; Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Charles, Howard, Montgomery, and Prince George's counties; City of Bowie; Maryland Association of Counties; State Department of Assessments and Taxation; Department of Legislative Services

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