

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1390
Ways and Means

(Delegate Smith, *et al.*)

Budget and Taxation

Baltimore City - Property Tax Credit - Low-Income Employees

This bill authorizes Baltimore City to grant, by law, a property tax credit for dwellings owned by specified full-time, low-income employees of Baltimore City. **The bill takes effect June 1, 2019, and applies to taxable years beginning after June 30, 2019.**

Fiscal Summary

State Effect: None.

Local Effect: Baltimore City property tax revenues decrease by approximately \$3.0 million annually beginning in FY 2020, to the extent the property tax credit is granted. Baltimore City expenditures may increase to administer the property tax credit.

Small Business Effect: None.

Analysis

Bill Summary: A low-income employee is defined as an individual who (1) is employed full time by Baltimore City; (2) is among the 25% lowest paid, full-time Baltimore City employees; and (3) owns a dwelling located in Baltimore City. The tax credit may not exceed the lesser of \$2,500 per dwelling or the amount of property tax imposed on the dwelling in any taxable year. Baltimore City may establish, by law, (1) the amount and application of the tax credit; (2) the duration of the tax credit; (3) additional eligibility requirements for the low-income employee to qualify for the tax credit; (4) regulations and procedures for the application and uniform processing of requests for the tax credit; and (5) any other provisions necessary to carry out the tax credit.

Local Fiscal Effect: Baltimore City property tax revenues decrease by approximately \$3.0 million annually beginning in fiscal 2020, to the extent the property tax credit is authorized. This estimate assumes that 1,200 city employees will receive the maximum \$2,500 property tax credit each year. The estimate is based on the following:

- approximately 13,500 full-time employees of Baltimore City;
- 3,375 employees designated as low income under the bill;
- the highest salary of a full-time employee is \$250,000;
- the lowest salary of a full-time employee is \$24,866;
- threshold salary estimated at \$38,130;
- 45% of low-income employees currently live outside of Baltimore City;
- 20% of low-income employees live in rental units;
- 35% of low-income employees own homes in Baltimore City and would be eligible for the property tax credit; and
- the maximum property tax credit is \$2,500.

To the extent that more employees become eligible for the property tax credit, Baltimore City property tax revenues will decrease accordingly. Baltimore City may also incur increased expenditures to administer the property tax credit program.

Additional Information

Prior Introductions: HB 464 of 2018 received a hearing in the House Ways and Means Committee, but no further action was taken. Its cross file, SB 189 of 2018 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Cross File: None.

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

Fiscal Note History: First Reader - March 8, 2019
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