



FREDERICK COUNTY COUNCIL

Local Government Fiscal and Policy Note

CONTACT INFORMATION AND GENERAL INSTRUCTIONS

Bill Number/Reference:	Bill No. 18-03
Bill Title:	Elderly Individual & Retired Military Tax Credit
Local Government Agency:	Frederick County Division of Finance
Prepared By:	Diane Fox
Title:	Director of Treasury
Phone Number:	301-600-1114
E-Mail Address:	Dfox@frederickcountymd.gov
Due Date:	February 27, 2018
Date Submitted:	

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Date:						
Please respond to the questions below. If you prefer to provide responses or additional information in a separate file or document, send the file or document in a separate e-mail to rcherney@frederickcountymd.gov with the bill number/reference in the subject line.						
1.	Describe the impact of this proposed legislation on your agency (operations, revenues, expenditures, etc). If there is no impact, <u>please explain why.</u>					
During the 2016 Regular Session of the Maryland General Assembly House Bill 898, <i>Property Tax Credit – Elderly Individuals and Veterans</i> , was enacted. House Bill 898 authorizes local governments to implement a real property tax credit for certain individuals who are 65 years or older and have lived in the same dwelling for at least the proceeding 40 years or are retired members of the uniformed forces of the US. The enactment of this credit would increase the workload on the Treasury Department since the administration of the credit would have to be done by Treasury staff. Given the number of potential homeowners who would qualify, it is estimated that Treasury would need another full time staff member to manage the credit leading to an increase in expenditures. In addition, implementation of the credit would reduce real property tax revenues as shown below.						
2.	Please indicate whether the proposed legislation will affect small businesses in Frederick County, and if it will, please provide any information you may have which could be useful in determining the economic impact on small businesses.					
This legislation is not expected to impact small business because it applies to the primary residence of individuals.						
FISCAL IMPACT SUMMARY – SHOW (DECREASE) IN PARENTHESES						
REVENUES						
3.	Analysis of estimated increase (or decrease) in government revenues. Please estimate below any anticipated increase (or decrease) in revenues resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause revenue increases/decreases to begin in later years.					
Source		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Decrease in property tax revenues 40+ Years in residence 50% Participation		(1,073,400)	(1,073,400)	(1,073,400)	(1,073,400)	(1,073,400)
Retired uniformed services 50% Participation		(674,100)	(674,100)	(674,100)	(674,100)	(674,100)
TOTAL \$		(\$1,747,500)	(\$1,747,500)	(\$1,747,500)	(\$1,747,500)	(\$1,747,500)
Please explain how the above estimated increase(s) or decrease(s) were arrived at, including any calculations and/or assumptions made. Please also explain any variation if the revenue increase(s)/decrease(s) are not constant.						
The number of residents living in their home at least 40 years is estimated to be 3,578. This number was derived from the State Department of Assessment and Taxation's database and based on the number of properties that have not had a transfer of ownership. We are unable to arrive at the number of properties that might have had a transfer but would still be qualified for the credit, i.e., properties placed in a trust, properties where a surviving spouse changed a deed, etc. The Department of Defense Office of the Actuary provided 2,247 as the number of retired uniformed services residing in Frederick County. The enabling legislation dictates that the credit is 20% of the County tax. Based on an average Frederick County tax of \$3,000, an average credit of \$600 was used. Because we have no way of knowing how many taxpayers would apply for the credit, we are assuming a participation rate of 50%. We have calculated future years with no variation since we do not know how much assessments will increase/decrease or what future property tax rates will be.						

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<u>EXPENDITURES</u>						
4.	Analysis of estimated increase (or decrease) in government expenditures . Please estimate below any anticipated increase (or decrease) in expenditures resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause expenditure increases/decreases to begin in later years.					
<u>A. Salaries & Wages</u>		<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
FTE Employees - <u> 1 </u> # of positions		\$34,000	\$35,020	\$36,070	\$37,153	\$38,257
Fringe Benefits		25,000	25,750	26,523	27,318	28,138
TOTAL (Salaries, wages & benefits)		\$59,000	\$60,770	\$62,593	\$64,471	\$66,395
Please provide an explanation of the need for the number and type of any personnel listed above, including (1) what specific provision(s) of the bill necessitate additional staff; (2) what the duties of each type employee will be; and (3) why existing personnel cannot absorb the additional work. Please also certify the wage/salary rate and % fringe rate (if differing rates apply) for each personnel classification. Treasury will need one additional FTE to administer this credit if it is implemented. The credit will require a yearly application to ensure that the homeowner still qualifies. Given the criteria of the credit, the State Department of Assessments and Taxation will not be able to administer this credit on behalf of the County as they do for the Senior Tax Credit. This administration will fall to Treasury staff. Based on the experience of other counties, extensive customer service is necessary for this credit. The duties of the new FTE will be to receive applications, review them to see if they qualify, discuss with applicants, calculate the amount of the credit, apply the credit to the account and issue new bills if necessary. These types of duties for other credits/adjustments to tax bills are handled currently by the Finance Billing Coordinator. The Finance Billing Coordinator also handles all general billing for the County as well as other duties. Given our estimates as to the number of potential applicants, the Finance Billing Coordinator would be unable to absorb the additional work. An escalator of 3% was used for outlying years.						
<u>B. Other Operating Expenses</u>		<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Technical/Special Fees, Grants/Subsidies		875	901	928	956	985
Communications-Phone, Postage						
Travel, Food, Auto, Fuel & Utilities						
Contractual Services						
Supplies		740	762	785	809	833
Equipment-Replacement						
Equipment-Additional		1,000				
Land & Structures, Fixed Charges						
Other (Please Specify on Extra Page(s))						
TOTAL (Expenditures)		\$2,615	\$1,663	\$1,713	\$1,765	\$1,818
On the next page, please provide brief descriptions/breakdowns of the above "Other Operating Expenses."						
Please explain below any additional calculations or assumptions made in estimating the "Other Operating Expenses" that will help us to understand the amounts and timing of the expenses.						
The additional equipment (computer and monitors) will only be in the first year. The phone, postage and supplies will be ongoing. An escalator of 3% was used for outlying years.						

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4. (cont'd)

C. Operating Expense Descriptions/Breakdowns

Please provide below a short description of the specific purpose of each expense listed under 4B. If any amount(s) listed under 4B represent(s) a total of multiple expenses, provide a breakdown of the fiscal 2018 amount with a short description of each expense (for example, if \$2,500 is listed for Communications – Phone, Postage, a statement such as “\$1,500 for cellphone charges for two new inspectors and \$1,000 for postage for mailings to permittees to notify them of changes to inspection requirements.”)

Fiscal 2018 Expenditures

Technical/Special Fees, Grants & Subsidies description/breakdown	\$
Communications – Phone, Postage description/breakdown \$500 for phone usage for new employee and \$375 for postage for mailings of revised tax bills to qualifying taxpayers	\$875
Travel, Food, Auto Operations, Fuel & Utilities description/breakdown	\$
Contractual Services description/breakdown	\$
Supplies description/breakdown This amount is for a variety of office supplies needed throughout the year	\$740
Equipment-Replacement description/breakdown	\$
Equipment-Additional description/breakdown \$750 for a new computer for the new employee and \$250 for dual monitors for the new employee	\$1,000
Land & Structures, Fixed Charges description/breakdown	\$
Other (Please Specify) description/breakdown	\$

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ADDITIONAL POLICY IMPLICATIONS/CONCERNS

The Treasury Department is concerned that if this credit is enacted to be effective as of July 1, 2018, it will be extremely difficult for current staff to process applications in a timely manner before a new staff member can be hired. Staff recommends that this legislation- as proposed be effective as of July 1, 2019 (FY20).

~~An alternative to implementing the proposed bill by July 1, 2018 would be to enhance the current Senior Tax Credit.~~

~~Staff~~ Staff is also concerned with administering the proposed legislation's tax credit -with ~~administering this credit with~~ the State's Homeowner Tax Credit and the existing County's Senior Tax Credit. The State will require that the Homeowner Tax Credit and Senior Tax Credit be recalculated after the Elderly and Retired Military Credit is applied. The coordination of the tax credits has been an issue for other counties. This is another reason to make the effective date as of July 1, 2019 (FY20).

Staff also recommends that an assessment cap be set for these credits. Taxpayers with an assessment over this cap would not be eligible for a credit. Assessment caps were set at all of the other four counties who have enacted this credit.

An alternative to implementing the proposed bill by July 1, 2018 would be to enhance the current Senior Tax Credit.

**Please submit BY E-MAIL to: Ragen Cherney, Legislative Director/Chief of Staff
Frederick County Council • E-Mail: RCherney@FrederickCountyMD.gov**