



## FREDERICK COUNTY COUNCIL

### Local Government Fiscal and Policy Note

#### CONTACT INFORMATION AND GENERAL INSTRUCTIONS

<b>Bill Number/Reference:</b>	Bill No. 18-08
<b>Bill Title:</b>	Senior Citizens Local Supplement to Homeowners Property Tax Credit
<b>Local Government Agency:</b>	Frederick County Division of Finance
<b>Prepared By:</b>	Diane Fox
<b>Title:</b>	Director of Treasury
<b>Phone Number:</b>	301-600-1114
<b>E-Mail Address:</b>	dfox@frederickcountymd.gov
<b>Due Date:</b>	
<b>Date Submitted:</b>	

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<b>Date:</b>						
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 <a href="mailto:rcherney@frederickcountymd.gov">rcherney@frederickcountymd.gov</a> with the bill number/reference in the subject line.						
<b>1.</b>		Describe the impact of this proposed legislation on your agency (operations, revenues, expenditures, etc). If there is no impact, <u>please explain why.</u>				
<p>The County currently offers a Senior Tax Credit that is equal to 20% of the net County real property taxes at all income levels below the \$70,000 limit for qualifying homeowners. The current Senior Tax Credit follows the other limits of the State's Homeowner Tax Credit which limits the taxpayer's net worth to \$200,000 (not including the primary residence or qualified retirement savings or individual retirement accounts) and limits the tax credit to the first \$300,000 of assessed value. The FY17 Senior Tax Credit total was \$623,370 and benefited 2,213 homeowners. To date in FY18 the tax credit totals \$663,754, and has been issued to 2,305 seniors. We have been asked to comment on Bill No. 18-08 which proposes (1) to increase the income limitation to \$85,000, (2) increase the net worth limitation to \$250,000, and (3) increase the assessment limitation to \$350,000. The proposed bill would decrease County revenues as shown below.</p> <p>Currently the State Department of Assessments and Taxation ("SDAT") administers the Senior Tax Credit program for the County at no additional cost. SDAT would be able to continue administering the Senior Tax Credit for an increase in the income limit and an increase in the eligible assessed property value. However, an increase in the net worth would be a labor intensive change since each applicant's net worth would have to be verified manually. SDAT has indicated that the cost to the County would be so prohibitive that the County would have to take on administering the Senior Tax Credit. If the County were to administer the Senior Tax Credit, additional Treasury staff would be needed to handle the increased workload.</p>						
<b>2.</b>		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.				
There would be no impact on small businesses.						
<b>FISCAL IMPACT SUMMARY – SHOW (DECREASE) IN PARENTHESES</b>						
<b><u>REVENUES</u></b>						
<b>3.</b>		Analysis of <b>estimated increase (or decrease) in government revenues.</b> 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.				
<b>Source</b>		<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Real Estate Tax Revenue Decrease						
23% Participation		(\$ 242,328)	(\$ 254,444)	(\$ 267,167)	(\$ 280,525)	(\$ 294,551)
100% Participation		(\$1,053,600)	(\$1,106,280)	(\$1,161,594)	(\$1,219,674)	(\$1,280,657)
<b>TOTAL \$ 23%</b>		(\$ 242,328)	(\$ 254,444)	(\$ 267,167)	(\$ 280,525)	(\$ 294,551)
<b>100%</b>		(\$1,053,600)	(\$1,106,280)	(\$1,161,594)	(\$1,219,674)	(\$1,280,657)

	<b>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.</b>
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For the revenue decrease relating to increasing the income limit, we used 2017 estimates by the Census Bureau on the number of senior householders (65+) at certain income levels. According to the Census, there are 776 senior householders with an income of \$70,001-\$74,999 and 980 senior householders with an income of \$75,000-\$85,000.

Per the Census, the average net worth of people over 65 years of age is \$57,800 not including the equity in their home. Therefore, we assumed that increasing the net worth would have little effect on the use of the credit.

An average County tax of \$3,000 was used based on the FY18 assessments of all homeowner occupied properties. Increasing the assessment limitation to \$350,000 will not affect this average assessment.

Participation is shown at both 100% (maximum) and 23% which is the current estimated participation rate of our Senior Tax Credit.

Based on information from the Department of Aging, we have calculated future years using a 5% growth factor for the number of senior households.

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<b><u>EXPENDITURES</u></b>						
<b>4.</b>	Analysis of <b>estimated increase (or decrease) in government expenditures.</b> 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.					
<b><u>A. Salaries &amp; Wages</u></b>		<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>	<b><u>FY 2022</u></b>
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
<b>TOTAL (Salaries, wages &amp; benefits)</b>		\$59,000	\$60,770	\$62,593	\$64,471	\$66,395
<p><b>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.</b></p> <p>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. 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.</p>						
<b><u>B. Other Operating Expenses</u></b>		<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>	<b><u>FY 2022</u></b>
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))						
<b>TOTAL (Expenditures)</b>		\$2,615	\$1,663	\$1,713	\$1,765	\$1,818
<p><b>On the next page, please provide brief descriptions/breakdowns of the above "Other Operating Expenses."</b></p>						
<p><b>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.</b></p>						
<p>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.</p>						

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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

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

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### **ADDITIONAL POLICY IMPLICATIONS/CONCERNS**

If this legislation is enacted with the change to the net worth limitation, the administration of the credit will fall to the Treasury Department since SDAT will no longer administer the credit as a supplement to the Homeowner Tax Credit. Howard County experienced the same issue when they enacted a senior tax credit with a different net worth from the State's Homeowner Tax Credit. After the credit was enacted, Howard County was forced to administer the credit without SDAT assistance. 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.

Also, if the legislation is enacted without the change to the net worth limitation and the changes are to be effective for FY19, the new parameters must be sent to SDAT by April 15 so SDAT has time to make necessary programming changes for the upcoming July 1 tax bill. For these reasons, staff recommends that this legislation be effective as of July 1, 2019 (FY20).

Staff is also concerned that this change will now require the majority of seniors to complete two applications – one for the State's Homeowner Tax Credit and one for the Senior Tax Credit. Currently, seniors can apply using just the State's tax credit form. If the legislation is enacted, it will place a burden on the senior population currently eligible and receiving the State's Homeowner Tax Credit and/or County Senior Tax Credit.

In addition, the average net worth of people over 65 years of age is \$57,800 not including the equity in their home (U.S. Census). Therefore, increasing the net worth would have little effect on the use of the credit while causing the administration of the credit to fall to County staff since SDAT will not administer the credit with a change to net worth.

Finally, in 2014 when the County expanded the income limit to \$70,000 from \$60,000, there was push back from the senior advocate committee that assisted on the implementation of the Senior Tax Credit. The committee would have preferred to see more assistance available to those at lower income levels.

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