



FREDERICK COUNTY COUNCIL

Local Government Fiscal and Policy Note

CONTACT INFORMATION AND GENERAL INSTRUCTIONS

Bill Number/Reference:	18-07 Amended
Bill Title:	Senior Citizens Local Supplement to Homeowners Property 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:	
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, please explain why.				
<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 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 \$665,452, and has been issued to 2,311 seniors.</p> <p>We have been asked to comment on amended Bill No. 18-07 which proposes (1) to increase the percentage adjustment to 40% for seniors whose gross household income is \$30,000 or less and (2) to increase the income limitation to \$80,000. The proposed bill would decrease County revenues as shown below. Since the bill's effective date is July 1, 2019, there is no revenue impact until FY2020. If the 23% participating rate continues, the potential amount of revenue decrease for the current credit structure with the proposed changes could be approximately \$1.055 million in the first year.</p> <p>Currently the State Department of Assessments and Taxation ("SDAT") administers the Senior Tax Credit program for the County. They have indicated that they would continue to administer the Senior Tax Credit with these changes, so there would be little impact to Treasury operations. The resulting increase in participants would cause an increase in contacts with Treasury, but this increase could be handled by current staff.</p>						
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.				
There would be no impact on small businesses.						
FISCAL IMPACT SUMMARY – SHOW (DECREASE) IN PARENTHESES						
<u>REVENUES</u>						
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		<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2023</u>
Real Estate Tax Revenue Decrease						
23% Participation		0	0	(\$ 390,070)	(\$ 409,574)	(\$ 430,052)
100% Participation		0	0	(\$1,695,957)	(\$1,780,755)	(\$1,869,793)
TOTAL \$ 23%		0	0	(\$ 390,070)	(\$ 409,574)	(\$ 430,052)
100%		0	0	(\$1,695,957)	(\$1,780,755)	(\$1,869,793)

	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.
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The revenue decrease relating to increasing the credit to 40% for seniors whose gross income is \$30,000 or less was reached using the 2017 estimates by the Census Bureau on the number of senior householders (65+) at certain income levels. According to the Census, there are 585 senior householders in the \$10,000-\$14,999 income level, 946 senior householders in the \$15,000 - \$19,999 income level, 1,110 senior householders in the \$20,000-\$24,999 income level, and 942 senior householders in the \$25,000-\$29,999 income level for a total of 3,583 potential senior householders affected by the proposed change. We did not take into account senior householders with incomes below \$10,000 since their County tax would be mostly offset by their State's Homeowner Tax Credit.

The State Department of Assessments and Taxation Homeowner Tax Credit provides tax limits based on income and these limits were also used in the estimates. The SDAT limits are incremented per \$1,000. To conform to the Census estimates, we used the tax limits starting at \$15,000 and then at each \$5,000 increment. The SDAT tax limits that a householder is responsible for are: \$355 for \$15,000 in income, \$780 for \$20,000 in income, \$1,230 for \$25,000 in income, and \$1,680 for \$30,000 in income. These tax limits were then multiplied by the 20% increase proposed.

For the revenue decrease relating to increasing the income limit to \$80,000, we again used 2017 estimates by the Census Bureau on the number of senior householders at certain income levels. According to the Census, there are 1,266 senior householders with an income of \$70,001-\$80,000.

An average County tax of \$3,000 was used based on the FY18 assessments of homeowner occupied properties.

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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<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.					
A. Salaries & Wages		<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
FTE Employees - _____ # of positions						
Fringe Benefits						
TOTAL (Salaries, wages & benefits)		\$	\$	\$	\$	\$
N/A	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. Other Operating Expenses		<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						
Communications-Phone, Postage						
Travel, Food, Auto, Fuel & Utilities						
Contractual Services						
Supplies						
Equipment-Replacement						
Equipment-Additional						
Land & Structures, Fixed Charges						
Other (Please Specify on Extra Page(s))						
TOTAL (Expenditures)		\$	\$	\$	\$	\$
	On the next page, please provide brief descriptions/breakdowns of the above “Other Operating Expenses.”					
N/A	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.					

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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	\$
Travel, Food, Auto Operations, Fuel & Utilities description/breakdown	\$
Contractual Services description/breakdown	\$
Supplies description/breakdown	\$
Equipment-Replacement description/breakdown	\$
Equipment-Additional description/breakdown	\$
Land & Structures, Fixed Charges description/breakdown	\$
Other (Please Specify) description/breakdown	\$

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<u>ADDITIONAL POLICY IMPLICATIONS/CONCERNS</u>

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