



## FREDERICK COUNTY COUNCIL

### Local Government Fiscal and Policy Note

#### CONTACT INFORMATION AND GENERAL INSTRUCTIONS

<b>Bill Number/Reference:</b>	Bill No. 18-18
<b>Bill Title:</b>	Amend Elderly Individual & Retired Military 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
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<b>Due Date:</b>	August 14, 2018
<b>Date Submitted:</b>	

**FREDERICK COUNTY COUNCIL**  
**Local Government Fiscal and Policy Note**

**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](mailto: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.
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The Council recently enacted Bill No. 18-03, the Elderly Individual & Retired Military Tax Credit. The tax credit is equal to 20% of the net County real property taxes for taxpayers who are at least 65 and have lived in the same dwelling for at least the proceeding 40 years or are retired members of the uniformed forces of the U.S. The credit has an assessment limitation of \$400,000 and is net of any Homestead Property Tax Credit.

We have been asked to comment on Bill 18-18 which proposes to amend the credit by setting a gross household income limit of \$80,000 and requiring that the tax credit be granted on the taxes resulting from the first \$300,000 of assessed value of the property.

Implementation of the amendment would reduce real property tax revenues as shown below. This reduction is less than the reduction estimated for the original tax credit. The original reduction of revenue was estimated to be \$1,747,500 at 50% participation in FY2020. The amended revenue reduction shown below is \$1,156,592 in FY2020. Therefore this proposed legislation would increase net property tax revenue by \$590,908.

Treasury already indicated in the fiscal note to the original bill that an additional staff person would be needed to administer the credit. That same new position could still handle the current amendment.

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.
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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 <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.
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<b>Source</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Original decrease in property tax revenues: Bill 18-03 with 50% participation		(\$1,747,500)	(\$1,747,500)	(\$1,747,500)	(\$1,747,500)
Decrease in property tax revenues Bill 18-18 with 50% participation		( 1,156,592)	( 1,156,592)	( 1,156,592)	( 1,156,592)
<b>TOTAL \$</b>		( \$590,908)	( \$590,908)	( \$590,908)	( \$590,908)

	<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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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. Using U.S. Census Data, 66.18% of the 65+ population have a household income level not exceeding \$80,000. The original bill dictates that the credit is 20% of the County tax. The average assessment in the County is below the \$300,000 limitation proposed. 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>						
<b>4.</b>	<p>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.</p>					
	<b>A. Salaries &amp; Wages</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
	FTE Employees - _____ # of positions Fringe Benefits					
	<b>TOTAL (Salaries, wages &amp; benefits)</b>					
	<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>					
	<b>B. Other Operating Expenses</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
	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))					
	<b>TOTAL (Expenditures)</b>					
	<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>					

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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> description/breakdown	\$
<b>Communications – Phone, Postage</b> description/breakdown	\$
<b>Travel, Food, Auto Operations, Fuel &amp; Utilities</b> description/breakdown	\$
<b>Contractual Services</b> description/breakdown	\$
<b>Supplies</b> description/breakdown	\$
<b>Equipment-Replacement</b> description/breakdown	\$
<b>Equipment-Additional</b> description/breakdown	\$
<b>Land &amp; Structures, Fixed Charges</b> description/breakdown	\$
<b>Other (Please Specify)</b> description/breakdown	\$

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#### ADDITIONAL POLICY IMPLICATIONS/CONCERNS

The amendment as written contains a \$400,000 assessment limitation at (E)(1) as well as a \$300,000 assessment limitation at (E)(3). This needs to be corrected.