



FREDERICK COUNTY COUNCIL

Local Government Fiscal and Policy Note

CONTACT INFORMATION AND GENERAL INSTRUCTIONS

Bill Number/Reference:	21-07
Bill Title:	Disabled Veterans Property Tax Credit
Local Government Agency:	Treasury
Prepared By:	Diane Fox
Title:	Director of Treasury
Phone Number:	11114
E-Mail Address:	dfox@frederickcountymd.gov
Due Date:	April 27, 2021
Date Submitted:	April 27, 2021

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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.
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This bill serves to establish a property tax credit against the local government property tax imposed on the dwelling house of certain disabled veterans. The disabled veteran's gross income for the preceding taxable year cannot exceed \$100,000. The tax credit is equal to 50% of the county property tax for a service-connected disability rating of at least 75% but not more than 99% or 25% of the county property tax for a service-connected disability rating of at least 50% but not more than 74%. The local government may extend the credit to a surviving spouse. There is currently a 100% tax exemption for veterans with a 100% disability rating, and also a 100% tax exemption for the surviving spouse of a disabled veteran and the surviving spouse of an individual who died in the line of duty while in active service.

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.
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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 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.
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Source	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Decrease in property tax revenue		(\$1,908,183)	(\$1,908,183)	(\$1,908,183)	(\$1,908,183)
TOTAL \$	\$	(\$1,908,183)	(\$1,908,183)	(\$1,908,183)	(\$1,908,183)

	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 proposed tax credit would be effective for the July 1, 2022 tax bill (FY2023). The Veterans Administrative (VA) has estimated that the number of veterans living in Frederick County will be 17,117 by September 2021. Of these veterans, 7.4% are estimated to have a disability rating greater than 50% which would qualify them for the 25% credit against their County tax. For the 50% credit against County tax, 5.0% are estimated to have a disability rating of greater than 70%. We considered the 5.0% to apply to disability ratings over 75%. The homeownership rate in Frederick County is 74.8% per the US Census Bureau. Using this information, we estimate that the County will receive 952 applications at the greater than 50% credit and 644 applications for the greater than 75% credit, for a total of 1,596 applications per fiscal year. The median income in Frederick County is under \$100,000 and we assumed that all disabled veterans have an income equal to or less than this median income. The average assessment of owner occupied residences in the County is \$323,218 with an average County tax of \$3,426 based on a tax rate of \$1.06. Using the estimated number of applications at the 25% of tax level and the 50% of tax level, the total revenue decrease for a disabled veteran credit is estimated to be \$1,908,183. 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.				
	A. Salaries & Wages	FY 2022	FY 2023	FY 2024	FY 2025
	FTE Employees - <u>1</u> # of positions Fringe Benefits	\$22,543 \$11,314	\$46,439 \$23,307	\$47,832 \$24,006	\$49,267 \$24,726
	TOTAL (Salaries, wages & benefits)	\$33,857	\$69,746	\$71,838	\$73,993
	<p>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.</p> <p>The County will be required to administer this credit and Treasury will need one additional FTE to handle the additional work. The credit will require a yearly application to ensure that the disabled veteran still qualifies. 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. The position will be a Tax Credit Specialist and it will be the same grade as Treasury's current Recordation Specialist. Given our estimates as to the number of potential applicants and the fact that other credits have been implemented previously without the addition on an FTE in Treasury to handle the work, current Treasury staff would be unable to absorb the additional work. Since the credit would be effective with the FY2023 bill, Treasury requires that the position be $\frac{1}{2}$ year beginning in January 2022. The estimated salaries and benefits in FY2022 are for $\frac{1}{2}$ of a year. An escalator of 3% was used for outlying years.</p>				
	B. Other Operating Expenses	FY 2022	FY 2023	FY 2024	FY 2025
	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))	\$1,230 \$785 \$1,323	\$752 \$809	\$774 \$833	\$798 \$858
	TOTAL (Expenditures)	\$3,338	\$1,561	\$1,607	\$1,656
	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, monitors, soundbar) 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 2021 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 2022 Expenditures

Technical/Special Fees, Grants & Subsidies description/breakdown	\$
Communications – Phone, Postage description/breakdown \$500 for phone usage for new employee and \$428 for postage for mailing of applications and revised tax bills	\$1,230
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	\$ 785
Equipment-Replacement description/breakdown	\$
Equipment-Additional description/breakdown \$857 for a new computer for the new employee, \$436 for dual monitors for the new employee and \$30 for a new USB soundbar	\$1,323
Land & Structures, Fixed Charges description/breakdown	\$
Other (Please Specify) description/breakdown	\$

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ADDITIONAL POLICY IMPLICATIONS/CONCERNS

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