



FREDERICK COUNTY COUNCIL

Local Government Fiscal and Policy Note

CONTACT INFORMATION AND GENERAL INSTRUCTIONS

Bill Number/Reference:	23-03
Bill Title:	Amend Senior Citizens' Local Supplement to Homeowner's Property Tax Credit
Local Government Agency:	Frederick County Finance Division
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: <p>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.</p>	
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> .
<p>The proposed legislation amends the County's Senior Tax Supplement to the State's Homeowner Tax Credit in the following ways:</p> <ul style="list-style-type: none">• Increase the overall income limitation from \$80,000 gross household income to \$100,000• Increase the amount of the credit and the tier limits:<ul style="list-style-type: none">◦ For income of \$50,000 or less (currently \$30,000), the credit increases from 40% to 50%◦ For income of more than \$50,000 (currently \$30,000) but no more than \$100,000, the credit increases from 20% to 30%• Increase the maximum assessment used to calculate the credit from \$300,000 to \$500,000 <p>The legislation will have an impact on County revenues as follows:</p> <ul style="list-style-type: none">• Increase income limitation: revenue decrease of \$78,610• Increase amount of credit and tier limits: revenue decrease of \$111,101• Increase maximum assessment: revenue decrease of \$45,982• Total revenue decrease of \$235,693 in FY25 <p>There will be an increase in expenditures of \$2,635 in FY24 and \$1,135 in subsequent years. The changes will have no impact on staff since the State will continue to administer the credit.</p> <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.</p> <p>This legislation is not expected to impact small business because it applies to primary residence of individuals.</p>	

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 2025	FY 2026	FY 2027	FY 2028
<ul style="list-style-type: none"> • Increase income • Increase amount of credit & tier limits • Increase maximum assessment 		(\$78,610)	(\$78,610)	(\$78,610)	(\$78,610)
		(\$111,101)	(\$111,101)	(\$111,101)	(\$111,101)
		(\$45,982)	(\$45,982)	(\$45,982)	(\$45,982)
		TOTAL \$	(\$235,693)	(\$235,693)	(\$235,693)
<p>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.</p> <ul style="list-style-type: none"> • Increase income: Based on the Census, there are 2,001 householders in Frederick County who are 65 or older with an income of \$80,000-\$100,000. The current average credit is \$346 per household. A high estimate would be to assume that all of the 2,001 seniors will apply and receive the credit, leading to a revenue reduction of \$693,256 annually. However, past experience shows us that 11.34% of the total number of senior homeowners in the income range receive a credit. Assuming that we will continue to see a 11.34% participation rate, we should see 227 eligible seniors. At the average credit of \$346, the revenue reduction is estimated to be \$78,610 annually. Since we used the average credit, we did not break down our estimates for the amount of the credit (30% or 50%). • Increase amount of credit and tier limits: The current credit is based on two tiers of income: 40% credit for \$30,000 or less and 20% credit for over \$30,000 and below \$80,000. The legislation proposes a 50% credit for \$50,000 or less and a 30% credit for over \$50,000 and below \$100,000. This is a 10% increase for incomes of \$30,000 or less, a 20% increase for incomes of over \$30,000 to \$50,000, and a 10% increase for incomes of over \$50,000 and below \$80,000. This leads to an overall proposed average increase of 13%. In FY 22, we had total credits of \$833,259. Using the average increase of 13%, we estimate a revenue reduction of \$111,101. The revenue reduction relating to incomes over \$80,000 is included in the estimate for an income increase. • Increase maximum assessment: The assessment limit does not preclude homeowners from qualifying if their home is assessed over \$300,000. Rather, the credit is calculated based on the assessment with \$300,000 being the maximum used in the calculation. This change would impact 478 current senior tax credit recipients who have an assessment between \$300,000 and \$500,000, leading to a revenue reduction of \$45,982. For informational purposes, the current average assessment of residential property in the County is \$307,800. 					

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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 2025	FY 2026	FY 2027	FY 2028	FY 2029
	FTE Employees - _____ # of positions Fringe Benefits					
	TOTAL (Salaries, wages & benefits)	\$0	\$0	\$0	\$0	\$0
	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	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
	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))	\$2,635	\$1,135	\$1,135	\$1,135	\$1,135
	TOTAL (Expenditures)	\$2,635	\$1,135	\$1,135	\$1,135	\$1,135
	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.					
<p>Additional staff will not be needed to handle the proposed legislation since the credit will continue to be administered by the State. Any additional staff time will be minimal and can be handled by current staff. There will be some increase in expenditures. The State charges \$500 per programming change and this will be a one-time charge in FY2024 – there are three changes proposed so the total charge for programming will be \$1,500. In addition, the State charges \$5 to process each application received. Since we estimate an increase in the number of applications (227), expenditures will increase by \$1,135 with SDAT billing the processing fee beginning in FY25.</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 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 2024 & 2025 Expenditures

Technical/Special Fees, Grants & Subsidies description/breakdown	\$
SDAT Programming Fee—one time	\$1,500
SDAT Application Processing Fee	\$1,135
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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ADDITIONAL POLICY IMPLICATIONS/CONCERNS

Additional Information:

The State requires that any amendments to current supplemental credits be provided to them by March 1 for the following July tax bill. We must submit the signed legislation. Because we will not meet that deadline with the proposed legislation, section E of the bill should read “[t]he property tax credit authorized by this section shall apply only in taxable years beginning on or after July 1, 2024.”

Participation:

	Participants	Total Credits
FY23	2,286	\$834,521.79
FY22	2,405	833,258.88
FY21	2,669	893,302.59
FY20	2,731	885,227.73
FY19	2,698	758,450.40
FY18	2,523	680,906.05
FY17	2,405	636,565.13
FY16	2,425	616,997.11
FY15	2,336	581,079.56
FY14	777	256,850.00
FY13	811	223,807.20

Prior estimates:

- Implemented FY13: Income limit of \$60,000, credit is 20%
 - Participants: 1,626
 - Total Credits: \$186,439
 - Because the original credit was a supplement to our original County supplement, very few qualified
- Modified FY15: Decoupled from original supplement to a stand-alone credit and income increased to \$70,000
 - Participants: 3,032
 - Total Credits: \$1,480,891
- Modified FY20: Income increased to \$80,000 and tiers for amount of credit
 - New participants: 321 to 1,396
 - Total Credits: \$390,070 to \$1,695,957