



FREDERICK COUNTY COUNCIL

Local Government Fiscal and Policy Note

CONTACT INFORMATION AND GENERAL INSTRUCTIONS

Bill Number/Reference:	23-04
Bill Title:	Amend Elderly Individual & Uniformed Service Members 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:

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, <u>please explain why</u> .
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The legislation proposes three changes to the Elderly Individual/Uniform Service Member Tax credit: increase the income limit from \$80,000 to \$100,000 for the elderly individual; increase the amount of both credits from 20% to 30%; and remove the five-year duration limit for both the elderly individual and the uniformed service member.

Impact for each change:

- Increasing the income for the elderly individual: We estimate a decrease in revenue of \$429. Any impact to operations and expenditures could be handled by current staff.
- Increasing both credits to 30%: This change would have a negative impact on County revenues by decreasing revenues by an estimated \$9,745. There would be no impact to operations and expenditures.
- Removing the five-year duration for both credits: We estimate a reduction in revenue of \$10,500 FY25-27 and a revenue reduction of \$86,901 in FY28.
- Total impact for all three changes is a decrease of \$10,174 in FY24, decreases of \$20,674 in FY25-27, and a decrease of \$97,075 in FY28.

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 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.				
Source	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Decrease on property tax revenues:					
• Increase in income for elderly	(\$429)	(\$429)	(\$429)	(\$429)	(\$429)
• Increase credit to 30%	(\$9,745)	(\$9,745)	(\$9,745)	(\$9,745)	(\$9,745)
• Remove 5 year duration limit	(0)	(\$10,500)	(\$10,500)	(\$10,500)	(\$86,901)
TOTAL \$	(\$10,174)	(\$20,674)	(\$20,674)	(\$20,674)	(\$97,075)
	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.				
<ul style="list-style-type: none"> • Increase in income for elderly: There are currently 45 homeowners receiving a total of \$19,314 for the elderly individual credit for an average credit of \$429. The average income of these homeowners is \$54,000. Using Census data, there are 2,001 senior homeowners with a household income of \$80,000-\$100,000. Using data from our property tax system, 2.74% of homes in the County have not transferred within the last 40 years so we estimate there are 55 senior homeowners who have been in their home for at least 40 years and have an income between \$80,000 and \$100,000. If we assumed that all of these 55 seniors would apply for the credit, we would see a revenue decrease of \$23,595. However, we currently see a participation rate of 1.74%, so we have assumed that this rate would continue. Thus, we estimate that we would see 1 new applicant at the average credit of \$429. • Increase credit to 30%: This is a 10% increase from the original 20%. There are total credits granted in FY23 of \$97,453, and 10% of this total is \$9,745. We assumed that increasing the credit would not generate new participants. • Remove 5 year duration limit: The credits started in FY20. There are \$10,500 in elderly credits that would have termed out by FY25. Removing the duration limit would result in a revenue decrease in this amount beginning in FY25. We had little participation in the uniformed services credit until we removed the income ceiling in FY23 when the amount of credits jumped by \$76,401. These credits would term out by FY28. In FY28, there will be an increase in the revenue reduction as both credits will continue beyond the original five year term (\$10,500 + \$76,401 = \$86,901). 					

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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	FY 2026
	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 2022	FY 2023	FY 2024	FY 2025	FY 2026
	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)	\$0	\$0	\$0	\$0	\$0
	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.					
We do not foresee any additional staff time or other operating expenses for the proposed legislation.						

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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	\$
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Communications – Phone, Postage description/breakdown	\$
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Travel, Food, Auto Operations, Fuel & Utilities description/breakdown	\$
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Contractual Services description/breakdown	\$
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Supplies description/breakdown	\$
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Equipment-Replacement description/breakdown	\$
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Equipment-Additional description/breakdown	\$
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Land & Structures, Fixed Charges description/breakdown	\$
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Other (Please Specify) description/breakdown	\$
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ADDITIONAL POLICY IMPLICATIONS/CONCERNS

Additional Information:

Credit Effective July 1, 2019

Participation:

<u>Elderly:</u>		<u>Participants</u>	<u>Total Credits</u>
	FY23	45	\$19,313.84
	FY22	38	17,119.96
	FY21	30	12,689.67
	FY20	33	10,501.05
<u>Uniformed:</u>			
	FY23	123	78,139.17
	FY22	3	1,737.49
	FY21	1	636.00
	FY20		

Original Prediction of Participation:

Elderly: 2,368 participants with total credits of \$710,436

Uniformed: 1,487 participants with total credits of \$446,156

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