



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:	March 24, 2023

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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>
<p>The legislation proposes four changes to the Elderly Individual/Uniform Service Member Tax credit: reduce the number of years for an elderly individual to reside in their home to 30 years, add an annual adjustment to the income limitation based on the Consumer Price Index, remove the five-year duration limit for both the elderly individual and the uniformed service member, and decrease the maximum assessment used to calculate the credit to \$350,000.</p> <p>Impact for each change:</p> <ul style="list-style-type: none">• Reduce the number of years to 30: revenue decrease of \$33,135 annually• CPI: revenue decrease of \$11,086 in FY25 – FY28.• Remove the five-year duration for both credits: revenue decrease of \$10,500 FY25-27 and a revenue decrease of \$86,901 in FY28• Decrease the maximum assessment used to calculate the credit from \$500,000 to \$350,000: revenue increase of \$9,117 annually• Total impact for all three changes is a decrease of \$24,018 in FY24, decrease of \$35,627 in FY25, decrease of \$36,735 in FY26, decrease of \$37,844 in FY27, and \$115,353 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.
<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 2024	FY 2025	FY 2026	FY 2027	FY 2028
Decrease on property tax revenues:					
• Decrease years to 30	(\$33,135)	(\$33,135)	(\$33,135)	(\$33,135)	(\$33,135)
• CPI Adjustment	(0)	(\$1,109)	(\$2,217)	(\$3,326)	(\$4,434)
• Remove 5 year duration limit	(0)	(\$10,500)	(\$10,500)	(\$10,500)	(\$86,901)
• Reduce maximum assessment	\$9,117	\$9,117	\$9,117	\$9,117	\$9,117
TOTAL \$	(\$24,018)	(\$35,627)	(\$36,735)	(\$37,844)	(\$115,353)

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.

- Reduce required years for elderly individual to 30: There are 7,300 properties that have not transferred ownership in the last 30 years. Of these, 2,861 meet the current 40 year requirement, leaving 4,439 additional properties that could qualify. Using the current participation rate of 1.74% for the elderly credit, we estimate that 77 new homeowners would qualify and receive the credit. The average credit is \$429, thus the estimated average annual revenue decrease is \$33,135.
- Annual CPI adjustment to income limitation: Per the U.S. Bureau of Labor Statistics, the ten-year average CPI-W is 2.1%. Assuming that this 2.1% yearly increase would relate to a 2.1% yearly increase in participants and using the average credit of \$429, we estimate that applying an annual CPI adjustment to the income limit would result in revenue reductions of \$1,109 in FY25, \$2,217 in FY26, \$3,326 in FY27 and \$4,434 in FY28. There would be no impact on FY24 since the CPI adjustment begins the year following the effective date of the bill. These estimates also reflect the expected increase in participants from the change to a 30 year eligibility threshold.
- 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).
- Reduce maximum assessment used to calculate the credit to \$350,000: There are 59 homeowners who currently have an assessment over \$350,000 and are receiving a credit based on the assessment limit of \$500,000. Reducing the assessment limit for the credit will result in a total revenue increase of \$9,117 annually.

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