



THE PRINCE GEORGE'S COUNTY GOVERNMENT
Office of Audits and Investigations

July 12, 2016

MEMORANDUM

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: David H. Van Dyke *DHV*
County Auditor

FROM: Inez N. Claggett *INC*
Senior Legislative Auditor

RE: Fiscal Impact Statement
CB-050-2016 Homestead Property Tax Credit

Pursuant to your request, we have reviewed CB-050-2016 to estimate its fiscal impact on Prince George's County, Maryland.

CB-050-2016 establishes the Homestead Property Tax Credit for the County property tax for the taxable year beginning July 1, 2017 (FY 2018), as required by State law. The proposed Bill sets the Homestead Property Tax Credit at 101% for County property taxes for the taxable year beginning July 1, 2017 (FY 2018). The tax credit increases from the FY 2017 rate of 100%, correlating to a decrease in the amount of tax credit offered when compared to the previous fiscal year.

The rate is based upon the percentage year-over-year change (increase/decrease) in the Consumer Price Index (CPI) between June 2015 and June 2016. Estimates from the Maryland Department of Assessments and Taxation showing the effect of the Homestead Property Tax Credit on County property tax revenues in FY 2018 are expected to be received in the latter portion of calendar year 2016. Fiscal year 2017 data provided by the Office of Management and Budget was used to calculate an estimate related to FY 2018.

Attachment A, provided by OMB, shows a comparative summary of the estimated revenue losses and potential savings for FY 2017 related to a range of Homestead Property Tax Credit percentage rates. Using FY 2017 as a base, and assuming revenue remains constant for FY 2018, the estimated FY 2018 revenue loss related to the Homestead Tax Credit is approximately \$37.2 million at the 101% rate. This is \$2.5 million lower than what would have been lost had the rate remained at the 100% level.

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Enactment of CB-050-2016 will increase the County's Homestead Property Tax Credit to 101% in FY 2018 and will have a positive fiscal impact on the County. In FY 2018 the County is estimated to receive \$2.5 million more in real property tax revenue when compared to FY 2017.

If you require additional information, or have questions about this fiscal impact statement, please call me.

Homestead Tax Credit in Prince George's County

[Source: State Department of Assessments and Taxation, Dec. 1, 2015]

**ATTACHMENT A
CB-50-2016**

FY2017	Cap	Credited Assessment	Revenue Loss (Est.)	Potential Savings vs 0%
Applied Cap (+CPI)	0% \$	3,963,560,911 \$	39,635,609	
	1%	3,714,905,199	37,149,052 \$	2,486,557
	2%	3,480,893,295	34,808,933	4,826,676
	3%	3,257,530,667	32,575,307	7,060,302
	4%	3,041,878,510	30,418,785	9,216,824
	5%	2,834,938,852	28,349,389	11,286,221
	6%	2,637,423,094	26,374,231	13,261,378
	7%	2,449,506,305	24,495,063	15,140,546
	8%	2,271,471,791	22,714,718	16,920,891
	9%	2,103,025,858	21,030,259	18,605,351
	10% \$	1,944,450,149 \$	19,444,501 \$	20,191,108