



# THE PRINCE GEORGE'S COUNTY GOVERNMENT

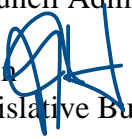
## Office of Audits and Investigations


March 3, 2021

### MEMORANDUM

TO: Robert J. Williams, Jr.  
Council Administrator

William M. Hunt  
Deputy Council Administrator

THRU: Josh Hamlin   
Senior Legislative Budget and Policy Analyst

FROM: Isabel Williams   
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement  
CB-010-2021 Property Tax Credit

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**CB-010-2021** (*proposed and sponsored by:* Councilmember Anderson Walker and Council Chair Hawkins)

Assigned to Committee of the Whole (COW)

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AN ACT CONCERNING PROPERTY TAX CREDIT for disabled veterans for the purpose of establishing a property tax credit for disabled veterans.

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### Fiscal Summary

#### Direct Impact:

*Expenditures:* Negative, in the form of additional administrative costs

*Revenues:* Negative, in the form of foregone tax revenue.

#### Indirect Impact:

None.

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### **Legislative Summary:**

CB-010-2021, proposed and sponsored by Councilmember Anderson-Walker and Council Chair Hawkins was presented on February 16th, 2021 and referred to the Council of the Whole (COW). The Bill would allow a partial property tax credit for eligible veteran residential real property owners who meet the qualifying criteria outlined in the legislation.

Specifically, the Bill would establish a real property tax credit for disabled veterans who have been honorably discharged and declared by the U.S. Department of Veterans' Affairs to have a permanent service-connected disability of between 50% and 99% as authorized by §9-265 of the Tax-Property Article of the Maryland Code. The Bill would also establish a real property tax credit for the surviving spouse of a deceased disabled veteran receiving the tax credit at the time of death who has not remarried. As presented, the Bill does not limit the number of years an eligible disabled veteran or surviving spouse can receive the credit.

To receive the credit, the disabled veteran or surviving spouse must own the dwelling house (defined as real property that is the legal residence of a disabled veteran and is occupied by two or fewer families), have a federal adjusted gross income in the preceding tax year of less than \$100,000, and complete the application with supporting documentation. If the disabled veteran has a disability rating of at least fifty percent (50%) but not more than seventy-four percent (74%), the amount of the credit is twenty-five percent (25%) of the County real property tax. If the disabled veteran has a disability rating of at least seventy-five percent (75%) but not more than ninety-nine percent (99%), the amount of the credit is fifty percent (50%) of the County real property tax.

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### **Current Law/Background:**

State law<sup>1</sup> provides a real property tax exemption for disabled veterans that have been declared by the U.S. Department of Veterans' Affairs to have a permanent 100% service-connected disability and their surviving spouses or surviving spouses of those that died in the line of duty, under certain circumstances. The number of disabled veterans living in the County who are 50% to 99% disabled is unknown. Under current law veterans who are 100% disabled (or their surviving spouse), are exempt from paying property taxes. This exemption applies to an estimated 4,200 veterans for FY21. The current program is administered by the State Department of Assessments and Taxation and the County is provided exemption details for taxation purposes. The County Council enacted CB-101-1976 (codified at § 10-144.01 of the County Code), which authorized a property tax refund for disabled veterans eligible for the State law exemption, and later CB-008-2005, which increased the time period a qualified disabled veteran was eligible for the County property tax refund.

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<sup>1</sup> Md. Code Ann. Tax-Property Article §7-208

In 2020, the Maryland General Assembly enacted a law authorizing local governments (Baltimore City, counties, and municipalities) to grant a property tax credit against the county or municipal property tax imposed on a dwelling house of a disabled veteran with a disability rating of less than 100%.<sup>2</sup> Section 9-265 of the Tax-Property Article of the Maryland Code provides for the eligibility requirements and the amount of the credit, and gives local jurisdictions discretion to provide for the duration of the credit, regulations for the processing of applications, and the definition of surviving spouse and duration of any credit granted to a surviving spouse.

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## **Discussion/Policy Analysis:**

### *Disabled Veterans Generally*

Disabled veterans are eligible for compensation from the US Department of Veterans' Affairs (VA) for service-connected disabilities, and it is the VA disability rating that determines eligibility for, and the amount of, the credit that would be established under this Bill. A disability rating is a numerical value, ranging from 0-100 percent, that determines the severity of service-connected medical conditions and assigns a rating to each condition. The VA determines this rating based on several factors using a schedule set forth in the Code of Federal Regulations.<sup>3</sup> A "service-connected" disability means that the veteran is disabled due to injury or illness that *was incurred in or aggravated by* military service.<sup>4</sup>

### *Veterans in Prince George's County*

Prince George's County is home to the largest number of veterans in the State of Maryland. According to the Maryland Department of Veterans Affairs, 57,430 of the 384,662 Maryland veterans live in the County.<sup>5</sup> The number of service-connected disability compensation recipients in Maryland as of the end of fiscal year 2019 is 91,428 (roughly twenty-four percent (24%) of the total veteran population).<sup>6</sup> If this proportion in the County is close to equivalent to the Statewide number, there would be a little under 14,000 compensation recipients in Prince George's County. If we eliminate from this number the 4,200 eligible veterans that are eligible for the State exemption under §7-208 of the Tax-Property Article of the Maryland Code (see above), we are left with just under 9,800 potentially eligible recipients. Of course, this number would be reduced by those who are not eligible because they: (1) have a disability rating of less than fifty percent (50%); (2) do not own a home; or (3) have an adjusted gross income in excess of \$100,000. The number of eligible recipients is likely to be substantially lower than this 9,800 number, but we are not able to determine how much.

Because we do not have the data necessary to calculate the number of eligible veterans or their respective disability ratings, we cannot precisely determine the amount of the tax credit that would

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<sup>2</sup> SB 417 (Ch. 630), 2020: <https://mgaleg.maryland.gov/mgaweb/legislation/details/sb0417/?ys=2020rs>

<sup>3</sup> <https://www.benefits.va.gov/WARMS/bookc.asp>

<sup>4</sup> <https://www.va.gov/disability/about-disability-ratings/>

<sup>5</sup> <https://veterans.maryland.gov/wp-content/uploads/sites/2/2021/02/2020-Annual-Report.pdf>

<sup>6</sup> <https://www.benefits.va.gov/REPORTS/abr/docs/2019-introduction-appendix.pdf>

be awarded under this bill. We also cannot determine the number of surviving spouses that would meet the requirements for this tax credit in future years. As this is a newly created tax credit (the State enabling legislation just took effect in June 2020), there are no other Maryland jurisdictions that have sufficient data to be useful. Anne Arundel County recently enacted a credit that is virtually identical to the credit that would be created by CB-010-2021, but with a duration limited to five years. The Frederick County Council is scheduled to discuss a similar bill at a workshop on March 9.

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**Fiscal Impact:**

- *Direct Impact*

Enactment of CB-10-2021 will have a negative direct fiscal impact on the County, in the form of both increased expenditures related to the administration of the credit, and reduced tax revenues as a result of awarding the credit to eligible recipients. The Office of Finance has indicated that providing this credit at the County level will significantly increase the workload for the Office, and likely will require an addition to current staff.

As discussed above, the absolute high end of potentially eligible disabled veterans in the County is likely to be less than 9,800, but the actual number is likely to be *substantially* less. However, we cannot readily determine how much less, nor are we able to ascertain the disability rating of these individuals, which would determine the amount of credit for which they are eligible.

Based on information from the Office of Finance, it is estimated that for every 1,000 veterans who are:

- 50% - 74% disabled, the forgone property tax revenue is estimated at \$0.9 million per year.
- 75% - 99% disabled, the forgone property tax revenue is estimated at \$1.9 million per year.

Because surviving spouses are also eligible for the credit created under CB-010-2021, the number of recipients is likely to grow with each successive year. The cost of the credit to the County could be reduced, or at least controlled, by limiting the duration of the credit, as Anne Arundel County has done.<sup>7</sup>

- *Indirect Impact*

Enactment of CB-010-2021 is not likely to have an indirect fiscal impact.

- *Appropriated in the Current Fiscal Year Budget*

No.

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<sup>7</sup> The Anne Arundel credit has a duration of five (5) years.

**Effective Date of Proposed Legislation:**

This Act shall take effect forty-five (45) days after it becomes law.

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**Resource Personnel:**

Council Administration  
Office of Finance Staff

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If you require additional information, or have questions about this fiscal impact statement, please reach me via phone or email.