



THE PRINCE GEORGE'S COUNTY GOVERNMENT


Office of Audits and Investigations

March 15, 2022

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin 
Director of Budget and Policy Analysis

FROM: Malcolm Moody - *MM*
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-005-2022 Property Tax Credit – Elderly Individuals

CB-005-2022 (*Proposed by: Councilmember Dernoga*)

Assigned to the Committee of the Whole (COW)

AN ACT CONCERNING PROPERTY TAX CREDIT for the purpose of establishing a property tax credit for certain elderly individuals.

Fiscal Summary

Direct Impact

Expenditures: Additional expenditures, likely minimal, in the form of increased administrative costs

Revenue: Reduced revenue, in the form of foregone property tax collections.

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Indirect Impact

Potentially positive.

Legislative Summary:

CB-005-2022, proposed and sponsored by Council Member Dernoga, was presented on February 15, 2022, and was referred to the Committee of the Whole (COW). The Bill would allow certain elderly residents to claim a property tax credit based on the qualifying criteria outlined in the legislation.

Background/Current Law:

Authority:

Section 9-258 of the Tax-Property Article of Annotated Code of Maryland authorizes the County to grant, by law, a property tax credit under this section against the county property tax imposed on the dwelling of an eligible individual. Under §9-258(a)(3), “Eligible individual” is defined as follows:

- (i) an individual who is at least 65 years old;
- (ii) an individual who is at least 65 years old and is a retired member of the uniformed services of the United States as defined in 10 U.S.C. § 101, the military reserves, or the National Guard;
- (iii) a surviving spouse, who is at least 65 years old and has not remarried, of a retired member of the uniformed services of the United States as defined in 10 U.S.C. § 101, the military reserves, or the National Guard;
- (iv) an individual who:
 - 1. is an active duty, retired, or honorably discharged member of the uniformed services of the United States as defined in 10 U.S.C. § 101, the military reserves, or the National Guard; and
 - 2. has a service-connected disability as defined in a local law enacted under subsection (d) of this section; or
- (v) a surviving spouse of an individual described under item (iv) of this paragraph who has not remarried.

The State law further provides that the credit *may not exceed 20%* of the county property tax on the property and may be granted for a period of *up to five (5) years*. In addition, under § 9-258(d), the County may provide, by law, for:

- (1) the *maximum assessed value* of a dwelling that is eligible for the tax credit under this section;
- (2) the minimum number of years, *not to exceed 40 years*, that an eligible individual not described under subsection (a)(3)(ii), (iii), or (iv) of this section must have resided in the same dwelling;

- (3) criteria that define a service-connected disability of an eligible individual described under subsection (a)(3)(iv) of this section;
 - (4) additional eligibility criteria for the tax credit under this section;
 - (5) regulations and procedures for the application and uniform processing of requests for the tax credit; and
 - (6) any other provision necessary to carry out the tax credit under this section.
- (Emphasis supplied)*

Relevant Prior County Legislation:

The County Council previously considered CB-121-2017¹ which was a bill with a similar intent to CB-005-2022. That Bill was sponsored by Councilmembers Lehman, Taveras, Franklin, and Toles that failed to be enacted. CB-121-2017 would have established a property tax credit for certain elderly individuals within Prince George's County. Eligible individuals had to be at least 70 years old, resided in the same dwelling for at least thirty (30) years, and have a dwelling with a maximum assessed value of Three Hundred Fifty Thousand Dollars (\$350,000) at the time of application.

The County Council also previously considered CB-041-2019² which aimed at creating a property tax credit for certain elderly individuals and veterans. The Bill was sponsored by Councilmember Anderson-Walker and failed to be enacted. Eligible individuals according to the bill had to be at least 70 years old or a retired disabled member of the uniformed armed services of the United States as defined in 10 U.S.C. Sec. 101, the military reserves, or the National Guard. Eligible individuals had to have resided in the same dwelling for at least thirty (30) years and have a dwelling with a maximum assessed value of Three Hundred Fifty Thousand Dollars (\$350,000) at the time of application.

Tax Credit Reform Commission:

In February 2018 the Tax Credit Reform Commission³ was established to review and analyze current and proposed tax credits to determine the effectiveness, utilization, and efficacy of the tax credits. The Commission estimated that the proposed tax credit for the elderly and veterans would cost \$2.8 million for elderly, and \$13.7 million for veterans each year.⁴ and at the time did not recommend any proposed tax credits related to real property taxes.

The Commission applied three questions to each proposed tax credit it considered, and those questions may be appropriate in the Council's consideration of CB-005-2022. They are:

- (1) What public or social policy are we trying to serve?
- (2) How does a property tax credit address that policy?
- (3) How much of a credit, if any, is necessary to address the policy?⁵

¹ Prince George's County Council - [Reference No. CB-121-2017](#)

² Prince George's County Council - [Reference No. CB-041-2019](#)

³ Tax Credit Reform Commission - [Property Tax Credits](#)

⁴ Tax Credit Reform Commission - [Final Report](#) - pages 1-2

⁵ Tax Credit Reform Commission - [Final Report](#) - pages 1-2

Other County Real Property Tax Relief Options:

Prince George's County Code Section 10-226⁶ established provisions and procedures for real property tax credits based on an individual's income, age, and disability, referencing State law. The purpose of this 1979 law was to extend a benefit to those who were eligible for and receiving a benefit under a repealed State law, but given its time of enactment, it is unlikely that this provision continues to have much, if any, effect.

County Code Section 10-197 establishes a real property tax deferral for elderly or disabled homeowners.⁷ This program permits a person who is at least 65 years old or disabled (as defined in the law) to *defer* payment of real property taxes if the combined gross income of all owners, and all individuals who reside in the dwelling (other than renters) does not exceed \$45,000 per year. Interest on deferred taxes accrues at nine percent (9%) per year. While this program may provide temporary relief, at a high cost, it is not a long-term solution as is a tax credit.

State law also authorizes a tax credit for elderly individuals of limited income.⁸ Under Maryland Code, Tax-Property §9-245, the Mayor and City Council of Baltimore City or the governing body of a county or municipality may provide, by law, for property tax imposed on real property that is owned by and used as the principal residence of an individual who is at least 65 years old and of limited income. The law leaves the definition of "low income" to the discretion of the local jurisdiction, as well as the amount and duration of the property tax credit. The local jurisdiction is further empowered to establish additional eligibility criteria for the tax credit, regulations and procedures for the application and uniform processing of requests for the tax credit; and any other necessary provisions. Prince George's County has not enacted a law creating this credit.

Resource Personnel:

- Michelle Garcia, Chief of Staff/Legislative Aide, District 1
- Hugo Cantu, Policy Director, District 1
- Linda Allen, Deputy Director of Finance

Discussion/Policy Analysis:

Aging in Place:

The United States will be faced with a noticeable increase in the share of the population over the age of 65. Factors such as increasing life expectancy, declining birth rates, and aging amongst the baby boom generation will contribute to this. Many elderly residents have a desire to age-in-place

⁶ Prince George's County Code, [Section 10-226](#) (a)(b)(c)

⁷ Prince George's County Code, [Section 10-197](#)

⁸ [§ 9-245. Elderly individuals with limited income](#)

within their current residence or community⁹. However, stagnant incomes, rising healthcare costs, and costs to modify homes to accommodate a resident as they get older create challenges to aging in place. Addressing these challenges will take both time and money, but the benefits of effectively aging-in-place are apparent. The costs associated living in nursing homes is more than three times than noninstitutional long-term care services¹⁰. Social isolation among seniors can also be lessened as it becomes easier for residents to maintain current relationships. Aging-in-place also allows residents to retain a level of independence that is normally not afforded when living in an institutionalized setting. Creating a property tax credit for elderly residents can help ease the challenges associated with aging in place and keep them within the communities they have lived in for decades.

Property Tax Burdens:

Property taxes often function as a reliable source for county governments. For FY 2022 Prince George's County has set the County Tax Rate at \$1.3740 per \$100 of assessed value, which is unchanged from FY 2021. Projected revenues for FY 2022 for the County are approximately \$1.39 billion dollars (\$1,386,423,421), a 1.9% increase from the approximately \$1.36 billion dollars (\$1,359,948,930) in revenue during FY 2021. The per capita revenue for the County in FY 2022 is projected at \$1,524 which ranks 9th out of 24 jurisdictions in the state¹¹. Below is a chart of the median real estate taxes paid in Prince George's County and surrounding counties according to US Census estimates:

Jurisdiction	Median real estate taxes paid
Anne Arundel	\$ 3,179
Baltimore County	\$ 3,097
Charles	\$ 3,672
Frederick	\$ 3,716
Harford	\$ 3,131
Howard	\$ 5,817
Montgomery	\$ 4,613
Prince George's	\$ 3,841 ¹²

Provisions of CB-005-2022:

The proposed Bill would establish a property tax credit for elderly residents at least 65 years old as authorized by §9-258 of the Tax-Property Article of the Annotated Code of Maryland. To receive the credit, the resident must be at least 65 years old, have lived in the same dwelling for at least 30 years, and the dwelling must have a maximum assessed value of \$400,000 at the time of application. As presented, the Bill includes a property tax credit that is 20% of the County property

⁹ [Aging in Place: Facilitating Choice and Independence](#)

¹⁰ [Measuring the Costs and Savings of Aging in Place](#)

¹¹ [County Revenue Outlook - FY 2022](#)

¹² Census [2019 ACS 5-Year Estimates Data \(Table B25103\)](#)

tax and would last for a period of up to five (5) years if the individual remains eligible for the credit. Different standards can be set to influence the fiscal impact or scope of the proposed Bill. Setting limits on eligible individuals based on age, duration in dwelling, amount of credit, duration of credit, maximum home value, and household income can all be used.

The Director of Finance would administer the credit and would be required to provide an annual report to the County Council for the previous fiscal year that includes: (1) the number of applications received; (2) the number of applications denied; (3) the number of tax credits approved; and (4) the location by Councilmanic district of the number of applications received, denied and the amount of tax credit approved.

Surrounding Jurisdictions:

The chart below displays the different standards in surrounding counties for senior applicants for a property tax credit established based on provisions in §9-258 of the Tax-Property Article of the Annotated Code of Maryland¹³:

Jurisdiction	Living Duration	Credit Amount	Duration of Credit	Max. Home Value	Household Income Limit	Median Home Value ¹⁴
Prince George's County	30 years	20%	5 years	\$400,000		\$302,800
Montgomery County	40 years	20%	5 years	\$650,000		\$484,900
Frederick County	40 years	20%	5 years	\$300,000	\$80,000	\$331,600
Howard County	40 years	20%	5 years	\$500,000	\$91,500	\$455,700
Harford County	40 years	20%	5 years	\$400,000		\$293,400

Anne Arundel County has established a tax credit under §9-258, but only for “retired veterans.”¹⁵ Other counties also have property tax credits available to their senior residents but established the tax credit based on provisions from §9-215 of the Tax-Property Article of the Annotated Code of Maryland, “Local supplement to the Homeowners Property Tax Credit Program.” Anne Arundel, Baltimore, and Charles County have all established a property tax credit for senior applicants based on §9-215.

¹³ Cecil County has also created a credit authorized under Tax-Property §9-258.

¹⁴ Census [2019 ACS 5-Year Estimates Data \(Table B25103\)](#)

¹⁵ On October 4, 2018, Bill 76-18 was signed, establishing a 15% County property tax credit for retired veterans in Anne Arundel County. For this tax credit, per State Statute (Tax-Property Article § 9-258 (a)(3)(ii)), a retired veteran is defined as an individual who is at least 65 years old and is a retired member of the uniformed services of the United States as defined in 10 U.S.C. § 101, the military reserves, or the National Guard. [Bill No. 76-18](#)

Fiscal Impact:

- *Direct Impact*

Enactment of CB-005-2022 will have a minimal adverse impact on revenues due to increased administrative costs not leading to substantial costs for the County. Much more substantial would be the reduction in revenue due to property taxes not being collected. to the Office of Finance estimates just under 2,500 accounts would be eligible for the credit. Using the average assessed values of homes under \$400,000, the amount of tax revenue foregone would be approximately \$1,200,000. The estimated tax revenue foregone at the absolute high-end of \$400,000 would be approximately \$2,000,000. Below is a chart provided by the Office of Finance showing the estimated costs associated with CB-005-2022:

	<u># of</u>	<u>Average</u>	<u>County</u>	<u>20% County</u>			
	<u>Accounts</u>	<u>ASMT</u>	<u>Tax</u>	<u>Credit</u>			
	<u>age 65+</u>						
Count meeting dwelling years, value and no other credit:	4,992						
2021 Census of 65+ ratio in PGC:	50.00%						
Estimated accounts eligible:	2,496	\$ 244,148	\$ 2,441	\$ 488	\$ 400,000	\$ 4,000	\$ 800
	Estimated annual credit:						\$1,996,800

As noted above, under the State enabling law, the County has the authority to adjust the following eligibility criteria:

- the amount of the credit (20% as drafted);
- the duration of the credit (five (5) years as drafted);
- the maximum assessed value of a dwelling eligible for the credit (\$400,000 as drafted); and
- the minimum residency duration, up to 40 years (30 years as drafted).

The County may also impose an income or other restriction on eligible individuals. Adjusting any of these criteria could have the effect of expanding or reducing the number of eligible accounts and/or the value of the credits, thereby potentially increasing or decreasing the amount of anticipated foregone tax revenue.

- *Indirect Impact*

There may be positive indirect fiscal impacts to the County related to improvements in health and neighborhood stability associated with assisting elderly homeowners to age in place, but these are remote and difficult to ascertain at this time.

- *Appropriated in the Current Fiscal Year Budget*

No

Effective Date of Proposed Legislation:

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

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