



THE PRINCE GEORGE'S COUNTY GOVERNMENT


Office of Audits and Investigations


September 24, 2019

MEMORANDUM

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: David H. Van Dyke 
County Auditor

FROM: Inez N. Claggett 
Senior Legislative Auditor

RE: Fiscal Impact Statement
CB-043-2019 Homestead Property Tax Credit

Legislative Summary

CB-043-2019 establishes the Homestead Property Tax Credit for the County property tax for the taxable year beginning July 1, 2020 (FY 2021), as required by State law.

Background/Current Law

Section 9-105(e)(3) of the Tax-Property Article of the Annotated Code of Maryland requires the enactment of the County's homestead property tax credit percentage for the taxable year beginning the following July 1, on or before March 15th of the year.

Resource Personnel

Latasha Coates, Budget Analyst, Office of Management and Budget

Assumptions and Methodology

The proposed Bill sets the Homestead Property Tax Credit at 102% for County property taxes for the taxable year beginning July 1, 2020 (FY 2021). The tax credit decreases from the FY 2020 rate of 103%, correlating to an increase in the amount of tax credit offered when compared to the previous fiscal year.

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The rate is based upon the percentage year-over-year change (increase/decrease) in the Consumer Price Index (CPI) between June 2018 and June 2019.

Attachment A, provided by Office of Management and Budget staff, shows a comparative summary of the estimated revenue losses and potential savings for FY 2021 related to a range of Homestead Property Tax Credit percentage rates. The estimated FY 2021 revenue loss related to the Homestead Tax Credit is approximately \$78.5 million at the 102% rate. This loss is \$2.7 million more than what would have been lost had the rate remained at the 103% level.

Fiscal Impact

- Direct Impact

Enactment of CB-043-2019 will have a negative fiscal impact on the County related to the decrease in the County's Homestead Property Tax Credit from 103% to 102%. In FY 2021, based on the latest available assessments, the County is estimated to receive \$2.7 million less in real property tax revenue when compared to FY 2020.

Appropriated in the Current Fiscal Year Budget

The enactment of the proposed legislation relates to anticipated revenue for FY 2021, for which a budget has not been adopted to date.

Effective Date

The proposed Bill shall be effective forty-five (45) calendar days after it becomes law.

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

Enclosure

Homestead Tax Credit in Prince George's County

[Source: State Department of Assessments and Taxation, July 23, 2019]

FY2021	Cap	Credited Assessment	Revenue Loss (Est.)	Potential Savings vs 0%
0% \$		8,407,969,714 \$	84,079,697	
1%		8,126,983,560	81,269,836	
Applied Cap (+CPI)	2%	7,851,057,159	78,510,572	5,569,126
	3%	7,581,532,963	75,815,330	8,264,368
	4%	7,317,748,448	73,177,484	10,902,213
	5%	7,059,501,599	70,595,016	13,484,681
	6%	6,806,694,561	68,066,946	16,012,752
	7%	6,559,254,807	65,592,548	18,487,149
	8%	6,317,192,924	63,171,929	20,907,768
	9%	6,081,282,188	60,812,822	23,266,875
	10%	5,851,654,379	58,516,544	25,563,153