



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

October 6, 2015

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*
Legislative Auditor

RE: Fiscal Impact Statement
CB-75-2015 Homestead Property Tax Credit

Pursuant to your request, we have reviewed CB-75-2015 to estimate its fiscal impact on Prince George's County, Maryland.

CB-75-2015 establishes the Homestead Property Tax Credit for the County property tax for the taxable year beginning July 1, 2016 (FY 2017), as required by State law. The proposed Bill sets the Homestead Property Tax Credit at 100% for County property taxes for the taxable year beginning July 1, 2016 (FY 2017). The tax credit decreases from the FY 2016 rate of 102%, correlating to an increase 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 2014 and June 2015. 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 2017 are expected to be received in the latter portion of calendar year 2015. As a result, we used data provided by the Office of Management and Budget to make a prediction related to FY 2017.

Attachment A provided by OMB shows a comparative summary of the estimated revenue losses and potential savings for FY 2016 related to a range of Homestead Property Tax Credit percentage rates. Using FY 2016 as a base, and assuming revenue stays the same for FY 2017, the estimated

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FY 2017 revenue loss related to the Homestead Tax Credit is approximately \$27.3 million at the 100% rate. This loss is \$3.9 million more than what would have been loss had the rate remained at the 102% level.

Enactment of CB-75-2015 will lower the County's Homestead Property Tax Credit to 100% in FY 2017 and will have a negative fiscal impact on the County. For FY 2017 the County is estimated to receive \$3.9 million less in real property tax revenue when compared to FY 2016.

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

Attachment

Homestead Tax Credit in Prince George's County

[Source: State Department of Assessments and Taxation, Dec. 4, 2014]

**ATTACHMENT A
CB-75-2015**

FY2016	Cap	Credited Assessment	Revenue Loss (Est.)	Potential Savings vs 2%
	0%	2,847,770,016 \$	27,338,592 \$	(3,883,205)
	1%	2,638,561,050 \$	25,330,186 \$	(1,874,799)
	2%	2,443,269,495 \$	23,455,387 \$	-
	3%	2,260,097,936 \$	21,696,940 \$	1,758,447
	4%	2,087,509,862 \$	20,040,095 \$	3,415,292
	5%	1,925,201,041 \$	18,481,930 \$	4,973,457
	6%	1,773,602,472 \$	17,026,584 \$	6,428,803
	7%	1,632,768,511 \$	15,674,578 \$	7,780,809
	8%	1,502,014,563 \$	14,419,340 \$	9,036,047
	9%	1,379,927,392 \$	13,247,303 \$	10,208,084
	10%	1,266,334,842 \$	12,156,814 \$	11,298,573