

MEMORANDUM

June 20, 2017

TO: Government Operations and Fiscal Policy Committee

FROM: Amanda Mihill, Legislative Attorney *amihill*

SUBJECT: **Worksession:** Expedited Bill 13-17, Taxation – Property Tax Credit for Retired Military Services Members - Eligibility

Expedited Bill 13-17, Taxation – Property Tax Credit for Retired Military Services Members - Eligibility, sponsored by Lead Sponsor Councilmember Floreen and Co-Sponsors Council President Berliner, and Councilmembers Rice, Katz, and Navarro, was introduced on May 2, 2017. A public hearing was held on June 13.

Background

Expedited Bill 13-17 would expand the property tax credit for military retirees to include a retired member of the uniformed services, the military reserves, or the national guard. Expedited Bill 13-17 would implement authority granted in House Bill 1234 that was enacted during the 2017 General Assembly session. Expedited Bill 13-17 would take effect on July 1.

Public Hearing and Correspondence

At the June 13 public hearing, the Council heard from Captain David Peterson on behalf of the Montgomery County Chapter of the Military Officers Association of America supportive of Bill 13-17 (©12). The Council also received a letter from James Tully requesting adjustments in the assessment cap for the property tax credit for elderly individuals and retired veterans (©13).¹

¹ Council staff notes that the bill presently before the Committee was drafted with a specific purpose – to address eligibility for retired members of the military services. It was not drafted generally as a bill to reopen the other eligibility criteria for the broader tax credit program. Nevertheless, the staff from the Department of Finance will be at the worksession and prepared to discuss the potential fiscal impact of Mr. Tully's suggestion. At that time, the Committee may wish to discuss sponsoring a bill to implement Mr. Tully's suggestion.

Discussion

As Committee members will recall, earlier this year, the Council enacted Bill 42-16, which created a property tax credit for certain elderly individuals and retirees of the armed forces. During the deliberations for that bill, the Council had received testimony requesting the credit be available to include retired members of the U.S. Public Health Service and National Oceanic and Atmospheric Administration. At that time, Council staff noted that the state enabling legislation authorizing the Council to enact the credit limited eligibility for the credit to retired members of the armed forces. Council staff advised that until the state enabling law was changed, the Council could not expand the credit.

During the 2017 General Assembly session, House Bill 1234 was enacted (and later became law), which expanded the tax credit to retired members of the uniformed services (which includes the U.S. Public Health Service and National Oceanic and Atmospheric Administration), the military reserves, or the National Guard. Bill 13-17 expands the eligibility of the local program to implement the authority granted in House Bill 1234. In the Fiscal Impact Statement on ©7, the Department of Finance estimates that Bill 13-17 would result in a loss of \$360,000 in tax revenues.

This packet contains:

Expedited Bill 13-17
Legislative Request Report
House Bill 1234
Fiscal Impact Statement
Testimony/Correspondence

Circle #

1
3
4
6
12

F:\LAW\BILLS\1713 Vet Property Tax Credit\GO Memo.Docx

Expedited Bill No. 13-17
Concerning: Taxation – Property Tax
Credit for Retired Military Services
Members – Eligibility
Revised: 4/21/2017 Draft No. 2
Introduced: May 2, 2017
Expires: November 2, 2018
Enacted: _____
Executive: _____
Effective: July 1, 2017
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Floreen
Co-Sponsors: Council President Berliner and Councilmembers Rice, Katz, and Navarro

AN EXPEDITED ACT to:

- (1) expand the property tax credit for military retirees to include a retired member of the uniformed services, the military reserves, or the national guard; and
- (2) generally amend the law relating to property tax credits.

By amending

Montgomery County Code
Chapter 52, Taxation
Section 52-110, Property tax credit – elderly individuals and veterans

| | |
|------------------------------|--|
| Boldface | <i>Heading or defined term.</i> |
| <u>Underlining</u> | <i>Added to existing law by original bill.</i> |
| [Single boldface brackets] | <i>Deleted from existing law by original bill.</i> |
| <u>Double underlining</u> | <i>Added by amendment.</i> |
| [[Double boldface brackets]] | <i>Deleted from existing law or the bill by amendment.</i> |
| * * * | <i>Existing law unaffected by bill.</i> |

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Section 52-110 is amended as follows:

52-110. Property tax credit – elderly individuals and [veterans] retired military services members.

* * *

(c) *Eligibility.* An individual is eligible to receive a property tax credit if:

* * *

(2) (A) the individual is at least 65 years old;

(B) the individual is a retired member of the uniformed services of the United States [armed forces] as defined in 10 U.S.C. §101, the military reserves, or the national guard; and

(C) the dwelling for which a property tax credit is sought has a maximum assessed value of \$500,000 at the time the individual first applied for the credit.

* * *

Sec. 2. Expedited Effective Date.

The Council declares that this legislation is necessary for the immediate protection of the public interest. Section 52-110, as amended by Section 1 of this Act, takes effect on July 1, 2017.

LEGISLATIVE REQUEST REPORT

Expedited Bill 13-17

Taxation – Property Tax Credit for Retired Military Services Members - Eligibility

DESCRIPTION: Bill 42-16 would expand the tax credit for military retirees authorized in Bill 42-16 to include a retired member of the uniformed services, the military reserves, or the national guard.

PROBLEM: During the 2017 legislative session, the General Assembly enacted, and the Governor signed, House Bill 1234 which provides local government authority to expand the military retiree tax credit to include a retired member of the uniformed services, the military reserves, or the national guard.

GOALS AND OBJECTIVES: To implement authority granted by the State.

COORDINATION: Finance

FISCAL IMPACT: To be requested.

ECONOMIC IMPACT: To be requested.

EVALUATION: To be requested.

EXPERIENCE ELSEWHERE: To be researched.

SOURCE OF INFORMATION: Amanda Mihill, Legislative Attorney, 240-777-7815

APPLICATION WITHIN MUNICIPALITIES: Taxes and credits apply countywide

PENALTIES: N/A

Chapter 184

(House Bill 1234)

AN ACT concerning

Property Tax – Credit for Retired Military Service Members – Eligibility

FOR the purpose of expanding eligibility for a credit authorized against the county or municipal corporation property tax for retired military service members to include certain members of the uniformed services of the United States, the military reserves, and the National Guard; providing for the application of this Act; and generally relating to a property tax credit for retired military service members.

BY repealing and reenacting, with amendments,
Article – Tax – Property
Section 9–258
Annotated Code of Maryland
(2012 Replacement Volume and 2016 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Tax – Property

9–258.

(a) (1) In this section the following words have the meanings indicated.

(2) “Dwelling” has the meaning stated in § 9–105 of this title;

(3) “Eligible individual” means:

(i) an individual who is at least 65 years old and has lived in the same dwelling for at least the preceding 40 years; or

(ii) an individual who is at least 65 years old and is a retired member of the [armed forces] **UNIFORMED SERVICES** of the United States **AS DEFINED IN 10 U.S.C. § 101, THE MILITARY RESERVES, OR THE NATIONAL GUARD.**

(b) The Mayor and City Council of Baltimore City or the governing body of a county or municipal corporation may grant, by law, a property tax credit under this section against the county or municipal corporation property tax imposed on the dwelling of an eligible individual.

(c) The property tax credit allowed under this section may:

(1) not exceed 20% of the county or municipal corporation property tax imposed on the property; and

(2) be granted for a period of up to 5 years.

(d) The Mayor and City Council of Baltimore City or the governing body of a county or municipal corporation may provide, by law, for:

(1) the maximum assessed value of a dwelling that is eligible for the tax credit under this section;

(2) additional eligibility criteria for the tax credit under this section;

(3) regulations and procedures for the application and uniform processing of requests for the tax credit; and

(4) any other provision necessary to carry out the tax credit under this section.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2017, and shall be applicable to all taxable years beginning after June 30, 2017.

Approved by the Governor, April 18, 2017.



ROCKVILLE, MARYLAND

MEMORANDUM

June 2, 2017

TO: Roger Berliner, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget
Alexandre A. Espinosa, Director, Department of Finance

SUBJECT: FEIS for Council Expedited Bill 13-17, Taxation - Property Tax Credit for Retired Military Services Members – Eligibility

Please find attached the fiscal and economic impact statements for the above-referenced legislation.

JAH:mc

cc: Bonnie Kirkland, Assistant Chief Administrative Officer
Lily Qi, Assistant Chief Administrative Officer
Lisa Austin, Offices of the County Executive
Joy Nurmi, Special Assistant to the County Executive
Patrick Lacefield, Director, Public Information Office
David Platt, Department of Finance
Dennis Hetman, Department of Finance
Jane Mukira, Office of Management and Budget
Naeem Mia, Office of Management and Budget

Fiscal Impact Statement
Expedited Bill 13-17 - Taxation – Property Tax Credit for
Retired Military Services Members – Eligibility

1. Legislative Summary

Expedited Bill 13-17 would expand eligibility for the property tax credit for military retirees (established by Bill 42-16) to include retired member of the uniformed services, the military reserves, or the national guard.

Bill 42-16 provides a property tax credit for certain property owners who are at least 65 years of age and either (1) have resided in the same property for at least 40 years, or (2) are retired from the military. This tax credit is available to all taxpayers who meet these requirements if their property's assessed value is no more than \$500,000. Proposed Bill 13-17 would expand eligibility for this tax credit to include retired members of the uniformed services (including the National Oceanic and Atmospheric Administration and the Public Health Service), the military reserves, or the national guard.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

The Finance Department estimates that the expansion of the property tax credit under Bill 13-17 would increase the number of eligible recipients by about 33 percent, from 2,153 recipients to 2,853. This is expected to result in approximately \$360,000 in additional lost property tax revenue. The table below outlines the methodology used to arrive at this estimate.

The estimated increase in recipients is based on information provided by the Maryland National Guard and the U.S. Coast Guard, which manages retirement systems for the National Oceanic and Atmospheric Administration and the Public Health Service. Data on the number of retired military reservists living in Montgomery County is not readily available, and as such, these individuals are excluded from the estimate.

ESTIMATED FISCAL IMPACT FROM BILLS 42-16 AND 13-17

| | Bill 42-16 | | Bill 13-17 |
|--|-------------------------|-------------------------|--|
| | 65+ and 40 years | Retired Military | Uniformed Services and National Guard (1) |
| Median Taxable Assessment of Properties at or below \$500,000 | \$325,000 | \$325,000 | \$325,000 |
| Weighted Real Property Tax Rate: FY2018 (adopted by GO Committee, May 4, 2017) | \$1.0013 | \$1.0013 | \$1.0013 |
| --Estimated Tax Bill Prior to Income Tax Offset Credit (ITOC) | \$3,254 | \$3,254 | \$3,254 |
| --ITOC: FY2018 (adopted by GO Committee, May 4, 2017) | (\$692) | (\$692) | (\$692) |
| --Estimated Tax Bill with ITOC | \$2,562 | \$2,562 | \$2,562 |
| --Allowable Credit: Section 52-110(d)(1) | 20.00% | 20.00% | 20.00% |
| Amount of Allowable Credit | \$512.45 | \$512.45 | \$512.45 |
| Number of Estimated Recipients | 189 | 1,964 | 700 |
| Estimated Loss of Property Tax Revenues: FY2018 | \$96,852 | \$1,006,442 | \$358,712 |
| TOTAL ESTIMATED PROPERTY TAX LOSS FROM BILL 42-16 AND BILL 13-17 | | | \$1,462,006 |
| Bill 13-17 Increase over Bill 42-16 in number of Estimated Recipients | | | 32.5% |

NOTE: (1) Does not include Military Reservists, therefore estimated loss underestimates final tax loss

Fiscal Impact Statement
Expedited Bill 13-17 - Taxation – Property Tax Credit for
Retired Military Services Members – Eligibility

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

The estimated additional tax credit given as a result of Expedited Bill 13-17 is approximately \$360,000. Combined with the impact of the tax credit under Bill 42-16, the total annual amount of these tax credits is approximately \$1,460,000 (see table in #2), not including any credits given to retired military reservists. Over six years, lost revenue from the expansion of this tax credit is estimated at \$2.16 million (\$360,000 x 6), and the total impact, including the original tax credit, is estimated at \$8.76 million (\$1.46 million x 6).

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

Not applicable.

5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

Not applicable.

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

None. Expedited Bill 13-17 does not authorize future spending.

7. An estimate of the staff time needed to implement the bill.

It is estimated that additional staff resources up to one position is needed to administer the original law, and this bill adds approximately 1/3 more accounts that will be eligible for the tax credit. However, this additional workload can be absorbed within the additional resources indicated for Bill 42-16.

8. An explanation of how the addition of new staff responsibilities would affect other duties.

The Department of Finance currently administers 20 tax credit programs and two tax deferral programs with one dedicated position. The scope of this new tax credit program, though incremental on an on-going basis, is such that additional dedicated resources are needed to continue to effectively and efficiently administer these programs.

If no additional staff resources are granted, it will impact the department's capacity to implement the bill in a timely manner.

Fiscal Impact Statement
Expedited Bill 13-17 - Taxation – Property Tax Credit for
Retired Military Services Members – Eligibility

9. An estimate of costs when an additional appropriation is needed.

Not applicable.

10. A description of any variable that could affect revenue and cost estimates.

The number of eligible applicants may be higher or lower than estimated. There may be applicants that are ineligible because their initial property value is over \$500,000.

11. Ranges of revenue or expenditures that are uncertain or difficult to project.

See above.

12. If a bill is likely to have no fiscal impact, why that is the case.

Not applicable.

13. Other fiscal impacts or comments.

Not applicable.

14. The following contributed to and concurred with this analysis:

Dennis Hetman, David Platt and Mike Coveyou, Department of Finance

Jane Mukira, Office of Management and Budget



Jennifer A. Hughes, Director
Office of Management and Budget

6/2/17
Date

**Economic Impact Statement
Expedited Bill 13-17 Taxation – Property Tax Credit for
Retired Military Services Members - Eligibility**

Background:

Expedited Bill 13-17 (Bill) would expand the property tax credit for military retirees to include a retired member of the uniformed services, the military reserves, or the national guard. The Bill would implement authority granted in House Bill 1234 that was enacted by the General Assembly during the 2017 legislative session. Under current County law, an individual would be eligible to receive a property tax credit if: 1) the individual is at least 65 years old and; (a) has lived in the same dwelling for at least the preceding 40 years; or (b) is a retired member of the United States armed forces and 2) the dwelling for which a property tax credit is sought has a maximum assessed value of \$500,000. Bill would amend Section 52-110(2)(B) of the County Code to include "uniformed services of the United States as defined in 10 U.S.C. §101, the military reserves, or the national guard.

1. The sources of information, assumptions, and methodologies used.

Sources of information:

- Data for National Guard retirees are from the Maryland National Guard; data for NOAA and PHS uniformed services are from the U.S. Coast Guard (which manages the retirement system for both NOAA and PHS), and
- There are no data on retired military reservists currently available, so the estimate does not include military reservists.

The Department of Finance has formulated an estimate of the annual property tax credit as a result of the Bill assuming a median taxable assessment base of \$325,000 for properties valued less than \$500,000 and a real property tax rate of \$1.0013 and an income tax offset of \$692. According to the sources of information, the Department of Finance estimates the number of recipients excluding military reservists is approximately 700.

2. A description of any variable that could affect the economic impact estimates.

Given the assumed totals, the Finance estimates the amount of credit granted in the first year to be approximately \$360,000. The variables that could affect the economic impact estimates are the number of properties that are assessed at more than \$500,000. It is likely that a significant, though not determinable number, of the estimated applicants would not be eligible because the values of their property exceeds \$500,000. The other variable that could affect estimates includes the number of retired uniformed personnel over the age of 65.

3. The Bill's positive or negative effect, if any on employment, spending, savings, investment, incomes, and property values in the County.

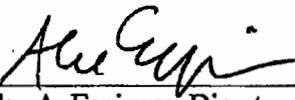
Based on the assumptions and calculations, Bill could have a de minimis positive economic impact on the personal income specifically for those individuals over the age of 65 and retired uniformed personnel who qualify for the credit. On a per household basis the credit equates to approximately \$513 per year for those eligible.

**Economic Impact Statement
Expedited Bill 13-17 Taxation – Property Tax Credit for
Retired Military Services Members - Eligibility**

4. If a Bill is likely to have no economic impact, why is that the case?

This legislation will have an economic impact. See paragraph #3

5. The following contributed to or concurred with this analysis: David Platt, Dennis Hetman, and Robert Hagedoorn, Finance.



Alexandre A. Espinosa, Director
Department of Finance

5/16/2017
Date



Montgomery County Chapter
P.O. Box 34127
West Bethesda, Maryland 20827-0127

Testimony of David H. Peterson on Council Bill 13-17

Good afternoon, Mr. President and members of the Council. My name is David H. Peterson, and I am here today on behalf of the members of the local Montgomery County affiliate of the Military Officers Association of America (MOAA). MOAA is the fourth largest military service organization in the country, and its 400+ local affiliate chapters are non-partisan advocates for the Nation's uniformed services community.

I appeared before you previously to endorse Council Bill 42-16, but also asked for your support by requesting members of the county delegation to the General Assembly to offer amending legislation to House Bill 898 that would expand the property tax credit eligibility to members of the more inclusive "uniformed services" as opposed to restricting eligibility solely to the "armed services." The Council took that request under advisement and ultimately was able to find a delegation sponsor to introduce such legislation. For that our chapter members express our thanks.

Delegate Jheanelle Wilkins sponsored House Bill 1234, with two additional county delegation members among the co-sponsors. On behalf of the Montgomery County Chapter, and with the additional endorsement of the MOAA Maryland Council of Chapters, I testified before both oversight committees of the General Assembly, asking for a Favorable recommendation on the legislation. This legislation was passed and the Governor signed the bill, creating the opportunity now for the County Council to address the expanded eligibility through Council Bill 13-17.

With great respect and thanks, I ask today for your favorable vote on Bill 13-17, bringing Montgomery County into congruence with the enabling State legislation. To my knowledge, Montgomery County would then be an early leader in Maryland on this legislative initiative.

Respectfully submitted,

Captain David H. Peterson, NOAA (Ret)
President, Montgomery County Chapter

James L. Tully - Testimony - June 13, 2017

**Montgomery County Council Public Hearing: Expedited Bill 13-17, Taxation -
Property Tax Credit for Retired Military Service Members -**

Good Afternoon, My name is Jim Tully and I have been a resident of Rockville for 50 years. My wife and I bought our house 47 years ago for \$50,000, and paid off the mortgage over the next 25 years. We are both well over 65, retired, and live on Social Security and a modest pension. Our 2016 real estate tax assessment is now \$9,758 a year, nearly 20% of the purchase price!

The subject legislation, as I understand it, is aimed at helping qualified senior citizens and veterans stay in their homes, by granting them a credit on their real estate taxes.

As a long time home owner myself, I know the home owner has little control over the valuation of his home, nor is the assessed valuation a reliable indicator of the owner's wealth, or his ability to pay.

The issue I would like to address today is the cap of \$650k in assessed valuation. But perhaps more importantly the disparity it engenders. For example, you may have two otherwise qualified homeowners living in the same neighborhood, one house is assessed at \$648K and the property next door is assessed at \$652k. One owner receives the credit and the other is denied the credit. It seems patently arbitrary and unfair.

I would like you to consider amending the wording such that all otherwise eligible homeowners would receive the credit on up to the first \$650k of assessed valuation, (or whatever number might be set for the cap in the future). Any valuation above that figure could be taxed at ordinary rates. That would be a more equitable way to achieve the intent of the legislation, and to avoid the inherent unfairness of an arbitrary cap. If you have no questions, that concludes my testimony.

Thank you,

James L. Tully
11 Hastings Circle
Rockville, MD 20850
Tel: 301-424-3186
e-mail: jimandsiegitully@verizon.net