Economic Impact Statement
Office of Legislative Oversight

Expedited Bill 9-22

Property Tax Credit – Elderly Individuals and Retired Military Services Members – Amendments

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Expedited Bill 9-22 would have a positive impact on economic conditions in the County in terms of certain priority indicators of the Council. By extending the duration of the Property Tax Credit for Elderly Individuals and Military Retirees from 5 years to 7 years, the change in taxation policy would reduce recipients' property tax liabilities for two additional years. OLO anticipates that elderly residents would benefit primarily from the decrease in property tax liabilities in the form of a net increase in household income. Furthermore, the economic impact of the Bill would be most significant for low-income and higher age recipients of the property tax credit due to common economic challenges that aging residents experience.

BACKGROUND

Bill Description

Since 2017, the County has offered the Property Tax Credit for Elderly Individuals and Military Retirees.[1] Under current County law, an eligible individual may receive a 20 percent property tax credit for up to 5 years on their home. An individual who is at least 65 years old may be eligible to receive the Property Tax Credit under two criteria:

- the individual has lived in the same home for the preceding 40 years and the home is assessed at no more than $650,000; or
- the individual is a retired military member (or surviving spouse) and the home is assessed at no more than $500,000.[2]

The goal of Bill 9-22 is to expand the duration of the property tax credit, given the change in the State's enabling law. As of May 2022, the County has the authority to extend the duration and increase the maximum amount of the property tax credit. If enacted, the Bill would extend its duration from 5 years to 7 years, with an effective date of July 1, 2022.[3]

---

[1] Montgomerycountymd.gov, Property Tax Credit for Elderly Individuals and for Military Retirees.
[2] Montgomery County Code, Sec. 52-110, Property tax credit – elderly individuals and retired military services members; Wellons to County Council, Memorandum, June 9, 2022.
[3] Bill 9-22.

Primary Economic Stakeholders

The primary economic stakeholders of Bill 9-22 would be current and future recipients of the Property Tax Credit for Elderly Individuals and Military Retirees. By extending the duration of the property tax credit from 5 years to 7 years, the change in taxation policy would reduce recipients' property tax liabilities by 20 percent for two additional years. If the Council enacts the Bill in time for an effective date of July 1, 2022, individuals issued the property tax credit in 2017 – the first year of the program – would receive the two additional years of credits. Thus, depending on the timing of Council action, the Bill would affect all recipients of the property tax credit.

Overview of Property Tax Credit

The Department of Finance provided OLO with data on the Property Tax Credit for Elderly Individuals and Military Retirees from 2017 through 2020. The data indicates that during this time:

- a total of 7,503 property tax credits were issued, totaling $5,483,482 in credits distributed;
- the average annual credit issued to all recipients had increased from $689 in 2017 to $895 in 2020; and
- compared to military retirees, seniors received 91 percent of the total number of property tax credits issued and 90 percent of the total dollar amount distributed.

Table 1. Issued and Outstanding Property Tax Credits, 2017-2020

Year	Number of Credits Issued	Number of Outstanding Credits	Credits Issued in Dollars	Outstanding Credits in Dollars	Average Annual Credit in Dollars
All Recipients					
2017	5,045	5,045	$3,474,381	$3,474,381	$689
2018	942	5,987	$731,208	$4,205,590	$776
2019	912	6,899	$737,572	$4,943,161	$809
2020	604	7,503	$540,321	$5,483,482	$895
Senior Recipients					
2017	4,541	4,541	$3,172,565	$3,172,565	$699
2018	848	5,389	$667,755	$3,840,320	$787
2019	821	6,210	$673,570	$4,513,890	$820
2020	544	6,754	$493,606	$5,007,496	$907
Military Retiree Recipients					
2017	504	504	$301,816	$301,816	$599
2018	94	598	$63,453	$365,270	$675
2019	91	689	$64,002	$429,271	$703
2020	60	749	$46,715	$475,986	$779

Source: Department of Finance

In addition, a Department of Finance analyst estimated that in 2017 the average assessed value of properties for elderly recipients was $350,000 and for military retirees was $300,000.

Finally, the Department of Finance shared with OLO a map of recipients of the property tax credits. The map indicates the largest concentrations of recipients tend to live in the Rockville to Aspen Hill to Silver Spring corridor.

Further analysis of these data and other information sources on the property tax credit program would be required to provide the Council with a thorough understanding of the geographic and economic characteristics of recipients.

Economic Characteristics of Elderly Residents

The primary beneficiaries of the Property Tax Credit for Elderly Individuals and Military Retirees have been elderly recipients. OLO does not have data on the economic (and other) characteristics of individual recipients of the property tax credits, such as annual income and assessed home value. A 2018 report by Montgomery Planning, however, sheds light on the economic characteristics of elderly adults in the County.[4] There are two noteworthy findings from the report:

Incomes decline significantly as elderly residents age. Drawing on data from the 2011-2016 American Community Survey, the Montgomery Planning report indicates that while median household income for a household headed by someone between 55 and 64 years old was $116,000, the median household income for a household headed by someone 85+ years old was $44,700. In addition, the report finds that while one in five 55+ households is a very-low income household, more than two in five 85+ households are very low income. According to the report, the conditions responsible for the decline in income as the elder age include: larger number of one person households, lower likelihood of being in the labor force, greater likelihood of living on a fixed income, as well as needing to spend down incomes and assets to qualify for Medicaid-supported nursing care.[5]

Risk of households becoming severely cost burdened increase as residents age. The report finds that the rate of severe cost burden households (i.e., spending more than half of income on housing costs) increases with age. In 2016, approximately 16 percent of older adult households in Montgomery County were severely cost burdened, whereas 21 percent of residents 75 to 84 and 27.4 percent of residents 85 and older were severely cost burdened.

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess Bill 9-22's impacts on County-based private organizations and residents in terms of the Council's priority economic indicators.[6] Enacting the Bill would involve a transfer from the County to certain households. The County would use tax revenue to

---

[4] Meeting the Housing Needs of Older Adults in Montgomery County.
[5] Ibid, 8.
[6] Montgomery County Code, Sec. 2-81B.

extend the duration of the Property Tax Credit for Elderly Individuals and Military Retirees by two years. According to the Office of Management and Budget (OMB), the two-year extension of the property tax credit would "increase the tax credit by an aggregate $12.2 million over six years (FY23-28)," an average increase of $2,033,333 per year.

Importantly, the internal transfer from the County to the recipients of the property tax credit would not entail a net increase in the amount of economic activity in the County. For this reason, the total economic impact of Bill 9-22 would depend on (a) the per year economic benefits to County residents and businesses from reduced property tax liabilities of current and future recipients, as well as (b) the per year economic opportunity cost of the foregone County revenues.

Because OLO does not know how the foregone County revenues would otherwise be used in the absence of enacting Bill 9-22, OLO limits the scope of the analysis to the economic impacts of the reduced property tax liabilities. That is, this analysis does not account for the economic impacts of alternative government spending with the foregone revenue.

To assess Bill 9-22's impact on household income for residents, OLO draws on the following sources of information:

- Data provided by the Department of Finance;
- Montgomery Planning's May 2018 report on the housing needs of elderly residents; and
- OMB's Fiscal Impact Statement for Bill 9-22.

VARIABLES

The primary variables that would affect the economic impacts of enacting Bill 9-22 are the following:

- total property tax credit recipients;
- average annual property tax credit;
- average household income of property tax credit recipients; and
- percentage of property tax credit used for disposable income.

IMPACTS

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Residents

OLO anticipates that Bill 9-22 would have significant positive impacts on certain residents in the County in terms of household income. Extending the Property Tax Credit for Elderly Individuals and Military Retirees would reduce the property tax liabilities for current and future credit recipients by 20 percent for two additional years. Holding all else equal, the reduced tax liabilities would increase net household income for the recipients.

As indicated in the Fiscal Impact Statement, over the next six fiscal years, the total property tax liabilities for all recipients would decrease by $12.2 million. Data provided by the Department of Finance suggest:

- More elders likely would benefit from the decrease in property tax liabilities than military retirees.
- Many beneficiaries likely would reside in the Rockville to Aspen Hill to Silver Spring corridor.
- The average assessed value of recipients' properties may fall somewhere between $350,000 and $400,000.
- The average annual savings may be as low as approximately $600 and as high as $900.[7]

Lack of data on the economic (and other) characteristics of the recipients of the property tax credit make it difficult to predict the magnitude of the economic impact of the property tax relief at the household-level. Nevertheless, the Montgomery Planning report on housing needs of the elderly in the County suggest that the property tax relief would be particularly impactful for low-income and higher age recipients.

Beyond these potential impacts, OLO does not expect the Bill to affect residents in terms of the Council's other priority indicators.

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that enacting Bill 9-22 would have a diffuse, positive impact on businesses in the County in terms of business income. As previously discussed, the estimated $12.2. increase in property tax credits would increase net household income. The magnitude of the Bill's impact on businesses depends on the extent to which the additional income is disposable and non-disposable.

Beyond these potential impacts, OLO does not expect the Bill to affect businesses in terms of the Council's other priority indicators.

DISCUSSION ITEMS

Not applicable

WORKS CITED

Montgomery County Code. Sec. 2-81B, Economic Impact Statements.

Montgomery County Code, Sec. 52-110, Property tax credit – elderly individuals and retired military services members.

Montgomery County Council. Expedited Bill 9-22, Property Tax Credit – Elderly Individuals and Retired Military Service Members – Amendments. Introduced on June 14, 2022.

---

[7] As indicated in Table 1, the average credits issued per year increased from 2017 to 2020. OLO is unaware of whether this was because more recipients with higher assessed home values had applied to the program each year or some other reason.

Montgomery County Planning. [Meeting the Housing Needs of Older Adults in Montgomery County](#). May 2018.

Montgomerycountymd.gov. [Property Tax Credit for Elderly Individuals and for Military Retirees](#).

CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the Bill under consideration.

CONTRIBUTIONS

Stephen Roblin (OLO) prepared this report.