

# Economic Impact Statement

Montgomery County, Maryland

## Bill 1-23      Property Tax Credit – Elderly Individuals and Retired Military Services Members – Amendments

### SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Bill 1-23 would have a positive economic impact on affected residents in terms of certain indicators prioritized by the Council. By increasing the thresholds for the maximum home value assessments for seniors and veterans, the Bill would reduce property tax liabilities by 20 percent for residents who otherwise would not receive the credit without the change in law. Holding all else equal, these residents would experience a net increase in household income. However, because it likely would affect few residents, the Bill would have a minimal overall impact on economic conditions in the County in terms of the Council's priority indicators.

### BACKGROUND AND PURPOSE OF BILL 1-23

A property tax credit reduces a property owner's tax obligation.<sup>1</sup> Property tax credits benefit eligible homeowners and can be used by policymakers to encourage beneficial behaviors. Property tax credits also reduce tax revenue available to support other competing "public goods" (i.e., commodities and services that benefit all members of the public).

In 2017, the Council passed Bill 42-16, creating the property tax credit for elderly individuals and retired military services members. Bill 42-16 established a 20 percent property tax credit for five consecutive years, for residents who are over the age of 65 and/or are veterans and have lived in their homes for at least 40 years. Bill 9-22, enacted in July 2022, extended the property tax credit from a maximum of five years to seven years.

Currently, the following individuals qualify for the property tax credit:

1. an individual that is at least 65 years old; has lived in the same dwelling for at least the preceding 40 years; and the dwelling for which a property tax credit is sought has a maximum assessed value of \$650,000 at the time the individual first applied for the tax credit;
2. the individual is at least 65 years old; the individual 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; and 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; or
3. the individual is 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.

The purpose of Bill 1-23 is to increase home assessment thresholds to qualify for the credit to account for increases in property values over the last few years as they have not been updated since the tax credit was first established in 2017. The threshold for the maximum home value assessments would increase from \$650,000 to \$700,000 for seniors and from

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<sup>1</sup> Center on Budget and Policy Priorities, "[Policy Basics.](#)"

\$500,000 to \$550,000 for veterans or their surviving spouse, given they qualify. Bill 1-23 was introduced to the Council on 1/17/2023.<sup>2</sup>

## INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess, both, the impacts of Bill 1-23 on residents and private organizations in terms of the Council's priority economic indicators and whether the Bill would have a net positive or negative impact on overall economic conditions in the County.<sup>3</sup>

Bill 1-23 would increase the thresholds for the maximum home value assessments for seniors and veterans by \$50,000. Importantly, if Bill 1-23 increases eligibility, the County would use tax revenue to fund the property tax credits. 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 Bill's total economic impact would depend on (a) the per year economic benefits to County residents and businesses from reduced property tax liabilities of future recipients, and (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 1-23, this analysis does not account for the economic impacts of alternative government spending with the foregone revenue. The scope of this analysis, therefore, is limited to the economic impacts of the reduced property tax liabilities for residents who otherwise would not be eligible for the credit in the absence of the change in law.

To assess Bill 1-23's economic impacts, OLO draws on the following sources of information:

- data provided by the Department of Finance; and
- impact statements (economic, fiscal, and racial equity and social justice) for Expedited Bill 9-22.

## VARIABLES

The primary variables that would affect the economic impacts of enacting Bill 1-23 are the following:

- total number of property tax credit recipients; and
- total property tax savings for recipients.

## IMPACTS

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

### Residents

OLO anticipates that Bill 1-23 would have a positive impact on certain residents in the County in terms of household income. By increasing the thresholds for the maximum home value assessments for seniors and veterans, the Bill would

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<sup>2</sup> [Bill 1-23](#).

<sup>3</sup> Montgomery County Code, [Sec. 2-81B](#).

reduce property tax liabilities by 20 percent for residents who otherwise would not receive the credit without the change in law. Holding all else equal, reduced tax liabilities would increase net household income for these recipients.

Bill 1-23 likely would impact a small number of residents. The Department of Finance provided OLO with data on the Property Tax Credit for Elderly Individuals and Military Retirees from 2017 through 2020. See **Table 1** below. 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.

OMB estimates that increasing the home value assessments by \$50,000 would increase eligibility for 15 to 20 elderly residents and 1 to 2 military retirees.<sup>4</sup>

Beyond increasing net household income for a small number of residents, OLO does not expect the Bill to affect residents in terms of the Council's other priority indicators.

**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
<b>All Recipients</b>					
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
<b>Senior Recipients</b>					
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
<b>Military Retiree Recipients</b>					
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

## Businesses, Non-Profits, Other Private Organizations

OLO anticipates that Bill 1-23 would have a negligible, positive impact on certain businesses in the County in terms of business income. As previously discussed, OMB estimates that the Bill would reduce property tax liabilities by 20 percent

<sup>4</sup> Correspondence with OLO, January 25, 2023.

for fewer than 25 residents. It is likely these residents would use a portion of the property tax savings to spend on County-based businesses. But this spending likely would have a negligible impact on incomes of affected businesses.

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

## **Net Impact**

Given its likely minor increase in property tax credit recipients, Bill 1-23 likely would have a negligible impact on overall economic conditions in the County.

## **DISCUSSION ITEMS**

Not applicable

## **WORKS CITED**

Center on Budget and Policy Priorities. "[Policy Basics: Tax Exemptions, Deductions, and Credits](#)." November 24, 2020.

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. [Bill 1-23, Property Tax Credit – Elderly Individuals and Retired Military Services Members – Amendments](#).

## **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.