

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

BILL 1-23: PROPERTY TAX CREDIT – ELDERLY INDIVIDUALS AND RETIRED MILITARY SERVICES MEMBERS – AMENDMENTS

SUMMARY

The Office of Legislative Oversight (OLO) anticipates Bill 1-23 will have a minimal, negative impact on racial equity and social justice (RESJ) in the County. Data by race and ethnicity on homeownership rates, and older adult and veteran constituents suggest that White homeowners would disproportionately benefit from the changes proposed by this Bill. Further, a financial benefit that disproportionately benefits White constituents would exacerbate existing racial disparities in cost burden among homeowners, as White homeowners already experience the lowest level of cost burden by race and ethnicity. OLO anticipates the negative RESJ impact of this Bill will be minimal since it is expected to extend eligibility for the property tax credit to a small number of constituents.

PURPOSE OF RESJ IMPACT STATEMENT

The purpose of racial equity and social justice (RESJ) impact statements is to evaluate the anticipated impact of legislation on racial equity and social justice in the County. Racial equity and social justice refer to a **process** that focuses on centering the needs, leadership, and power of communities of color and low-income communities with a **goal** of eliminating racial and social inequities.¹ Achieving racial equity and social justice usually requires seeing, thinking, and working differently to address the racial and social harms that have caused racial and social inequities.²

PURPOSE OF BILL 1-23

A property tax credit reduces a property owner's tax obligation.³ 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 constituents 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;⁴ or

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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 \$500,000 to \$550,000 for veterans or their surviving spouse, given they qualify.⁵

Bill 1-23 was introduced by the Council on January 17, 2023.

In June 2022, OLO published a RESJIS for Bill 9-22, Property Tax Credit – Elderly Individuals and Retired Military Services Members – Amendments.⁶ Please refer to this RESJIS for background on homeownership, senior and veteran constituents, and racial equity.

ANTICIPATED RESJ IMPACTS

By increasing the home assessment thresholds, Bill 1-23 could allow more constituents to qualify for the property tax credit for elderly individuals and retired military services members. To consider the anticipated impact of Bill 1-23 on RESJ in the County, OLO recommends the consideration of two related questions:

- Who are the primary beneficiaries of this bill?
- What racial and social inequities could passage of this bill weaken or strengthen?

For the first question, OLO considered the homeownership rate by race and ethnicity and the demographics of older adults and veterans in the County, since these constituents are the most likely to qualify for the property tax credit.

Census data suggests White and Asian constituents are more likely to be homeowners. Whereas 65.7 percent of all households in the County are owner-occupied, 77.1 percent of White households and 69.1 percent of Asian households are owner-occupied. Conversely, 43.3 percent of Black households and 54.3 percent of Latinx households in the County are owner-occupied.^{7,8}

Census data in Table 1 demonstrates White people are overrepresented among County constituents 65 years and over. Whereas 48.8 percent of the County population is White, 63.4 percent of people 65 years and over are White. Black and Latinx constituents are underrepresented among people 65 years and over, while Asian, Native American, and Pacific Islander constituents are proportionately represented.

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Table 1: County Population and Population 65 and Over by Race and Ethnicity, Montgomery County

Race/Ethnicity	Percent of County Population	Percent of County Population 65 and Over
Asian	15.2	15.3
Black	18.4	13.2
Native American	0.4	0.4
Pacific Islander	0.0	0.1
White	48.8	63.4
Latinx	19.7	9.0

Source: Table S0103, 2021 American Community Survey 5-Year Estimates, Census Bureau.

Census data in Table 2 suggests White people are also overrepresented among military veterans in the County. While White people account for 51.1 percent of adults in the County, they account for 66.8 percent of constituents who are veterans. Asian and Latinx people are underrepresented among constituents who are veterans, while Black, Native American, and Pacific Islander people are proportionately represented.

Table 2: County Adult Population and Population of Veterans by Race and Ethnicity, Montgomery County

Race/Ethnicity	Percent of County Population 18 and Over	Population of County Veterans
Asian	15.9	5.9
Black	18.0	18.7
Native American	0.4	0.2
Pacific Islander	0.0	0.3
White	51.1	66.8
Latinx	17.8	8.8

Source: Table S2101, 2021 American Community Survey 5-Year Estimates, Census Bureau.

For the second question, OLO considered how the financial benefit from property tax credits could impact racial disparities in cost burden among constituents, since property tax credits help to reduce housing costs for recipients. Households are considered cost burdened when they spend more than 30 percent of their income on housing costs. In the County, 22.1 percent of White homeowners are cost burdened, compared to 28.1 percent of Black, 30.1 percent of Asian, and 31.8 percent of Latinx homeowners.⁹

Taken together, OLO anticipates Bill 1-23 will have a negative impact on RESJ in the County. Data suggests homeowners in the County are more likely to be White or Asian. Additionally, White people are overrepresented among older adults and veterans in the County. Thus, White homeowners would disproportionately benefit from the changes proposed by this Bill. Further, a financial benefit that disproportionately benefits White constituents would exacerbate existing racial disparities in cost burden among homeowners, as White homeowners already experience the lowest level of cost burden by race and ethnicity. The County's Office of Management and Budget (OMB) estimates increasing home assessment thresholds will extend eligibility for the property tax credit to 15 to 20 older adult constituents and 1 to 2 military retirees.¹⁰ As such, OLO anticipates the negative RESJ impact of this Bill will be minimal.

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RECOMMENDED AMENDMENTS

The Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to bills aimed at narrowing racial and social inequities are warranted in developing RESJ impact statements.¹¹ OLO finds Bill 1-23 will have a negative impact on RESJ in the County. Should the Council seek to improve the RESJ impact of this Bill through incorporating recommended amendments or introducing companion legislation, the following policy solutions directed towards renters can be considered. Offering benefits to renters could enhance racial equity, as renters, especially Black and Latinx renters, are cost burdened at higher levels than homeowners.¹²

- **Create a renters' tax credit for seniors and veterans.** Adding a renters' tax credit provision could help ensure that all older adults and veterans in the County proportionately benefit from this Bill, regardless of whether they rent or own their homes.¹³
- **Increase funding and expand eligibility for County Rental Assistance Program.** Localities often rely on the federal Housing Choice Voucher (HCV) program – the nation's largest rental assistance program – to provide long-term rental assistance to low-income constituents. The HCV program has been proven to help people with low incomes sustain housing and reduce financial hardship.¹⁴ Current funding for the HCV program falls short of demand, causing long waitlists. In Maryland, applicants to the HCV program wait an average of 43 months, or 3.5 years, to receive a housing voucher.¹⁵

Addressing gaps in the HCV program, localities have developed local rental assistance programs to meet the needs of people with low incomes. One such program in the County is the Rental Assistance Program (RAP), where low-income constituents who are currently experiencing or at risk of homelessness can receive \$100 to \$400 per month for up to 12 months.¹⁶ RAP recipients are able to reapply to the program after 12 months to determine continued eligibility. For fiscal year 2023, the RAP received an allocation of \$7.99 million, an increase from the allocation of \$1.58 million in fiscal year 2022 and \$570,000 in fiscal year 2021.¹⁷

To enhance RESJ among seniors, the Council could consider increasing funding to the RAP and expanding eligibility to include low-income constituents over 65 who are not experiencing or at risk of homelessness. For instance, Arlington County's Housing Grant program covers a portion of monthly rent for low-income constituents, including those who are 65 years and older.¹⁸ While the program prioritizes people experiencing homelessness, low-income constituents not experiencing homelessness are able to qualify depending on funding availability.¹⁹ Participants can re-certify for the program annually as long as they continue to meet eligibility requirements. Arlington County allocated \$14 million to the Housing Grant program in fiscal year 2023.²⁰

- **Increase affordable housing units for seniors.** To advance RESJ among seniors, the Council could consider increasing investments in developments that preserve or produce affordable rental housing for seniors, especially for those with extremely low incomes. In the County, there are approximately 11,000 people 65 years and over living below the poverty level.²¹ Constituents living below the poverty level would likely be considered extremely low income by HUD definitions – or having an income at or below 30 percent of the Area Median Income (AMI).^{22,23} Between Housing Opportunity Commission (HOC) units and subsidized units in private properties, the County currently has 1,092 units that are affordable for seniors at 30 percent of the AMI.^{24,25} Of note, the majority of affordable housing units for seniors in the County are affordable between 40 percent and 80 percent of the AMI (2,211 units).

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CAVEATS

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging, analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement is intended to inform the legislative process rather than 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.

¹ Definition of racial equity and social justice adopted from “Applying a Racial Equity Lens into Federal Nutrition Programs” by Marlysa Gamblin, et.al. Bread for the World, and from Racial Equity Tools. <https://www.racialequitytools.org/glossary>

² Ibid

³ “Policy Basics: Tax Exemptions, Deductions, and Credits,” Center on Budget and Policy Priorities, November 2020. <https://www.cbpp.org/research/federal-tax/tax-exemptions-deductions-and-credits>

⁴ 10 U.S.C. §101 - Definitions: <https://www.law.cornell.edu/uscode/text/10/101>

⁵ Introduction Staff Report for Bill 1-23, Property Tax Credit – Elderly Individuals and Retired Military Services Members – Amendments, Montgomery County Council, Montgomery County, Maryland, Introduced January 17, 2023. https://www.montgomerycountymd.gov/council/Resources/Files/agenda/col/2023/20230117/20230117_2A.pdf

⁶ RESJIS for Expedited Bill 9-22, Property Tax Credit – Elderly Individuals and Retired Military Services Members – Amendments, Office of Legislative Oversight, Montgomery County, Maryland, August 22, 2022. <https://montgomerycountymd.gov/OLO/Resources/Files/resjis/2022/BillE9-22.pdf>

⁷ Table S0201, Selected Population Profile in the United States, 2021 American Community Survey 1-Year Estimates, Census Bureau.

⁸ Latinx is an ethnicity rather than a race. Therefore, Latinx people are included in multiple racial groups throughout this impact statement unless where otherwise noted. Estimates for Native American and Pacific Islander constituents not available for all data points presented in impact statement.

⁹ Table S0201, Selected Population Profile in the United States, 2021 American Community Survey 1-Year Estimates, Census Bureau.

¹⁰ Estimate shared by OMB staff during meeting with OLO staff on 1/25/23.

¹¹ Bill 27-19, Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established, Montgomery County Council

¹² Table S0201, Selected Population Profile in the United States, 2021 American Community Survey 1-Year Estimates, Census Bureau.

¹³ Daniel Teles and Christopher Davis, “Tax Credits for Renters Could Increase Racial and Economic Equity,” The Urban Institute, December 2020. <https://www.urban.org/urban-wire/tax-credits-renters-could-increase-racial-and-economic-equity>

¹⁴ Will Fischer, “Research Shows Housing Vouchers Reduce Hardship and Provide Platform for Long-Term Gains Among Children,” Center on Budget and Policy Priorities, October 7, 2015. <https://www.cbpp.org/research/housing/research-shows-housing-vouchers-reduce-hardship-and-provide-platform-for-long-term>

¹⁵ Sonya Acosta and Erik Gartland, “Families Wait Years for Housing Vouchers Due to Inadequate Funding,” Center on Budget and Policy Priorities, July 22, 2021. <https://www.cbpp.org/research/housing/families-wait-years-for-housing-vouchers-due-to-inadequate-funding>

¹⁶ Rental Assistance Program, Department of Health and Human Services, Montgomery County, Maryland, Accessed June 15, 2022. <https://www.montgomerycountymd.gov/HHS-Program/SNHS/SNHSRental-p743.html>

¹⁷ Expenditures, “Services to End and Prevent Homelessness: Rental Assistance Program,” Montgomery County Open Budget, Accessed January 25, 2023. <https://apps.montgomerycountymd.gov/BASISOPERATING/Common/BudgetSnapshot.aspx?ID=61P15&TYPE=E>

¹⁸ “Housing Grants,” Arlington County, Virginia, Accessed June 15, 2022.

<https://www.arlingtonva.us/Government/Programs/Housing/Get-Help/Rental-Services/Local-Housing-Grants>

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¹⁹ Page 2 Priority Populations, “Administrative Regulations for Implementing Chapter 44, Housing Grants for Needy Persons,” Arlington County, Virginia, Accessed June 15, 2022.

<https://www.arlingtonva.us/files/sharedassets/public/housing/documents/administrative-regulations-for-implementing-chapter-44-12-2021.pdf>

²⁰ “Adopted FY 2023 Budget,” Arlington County, Virginia, Accessed June 15, 2022.

<https://www.arlingtonva.us/files/sharedassets/public/budget/documents/fy-2023/fy-2023-adopted/adopted-fy-2023-budget-infographic.pdf>

²¹ Table S1701: Poverty Status in the Past 12 Months, 2021 American Community Survey 5-Year Estimates, Census Bureau.

²² “How the Census Bureau Measures Poverty,” Census Bureau, November 22, 2021, <https://www.census.gov/topics/income-poverty/poverty/guidance/poverty-measures.html>

²³ “2022 Rent and Income Limits,” Department of Housing and Community Affairs, Montgomery County, Maryland, Accessed June 16, 2022.

https://montgomerycountymd.gov/DHCA/Resources/Files/housing/multifamily/compliance/rent_income_limits_current.pdf

²⁴ “Independent Living,” Housing Opportunities Commission of Montgomery County, Accessed June 16, 2022.

<https://www.hocmc.org/extra/150-independent-living.html>

²⁵ Rental Marketplace Database, Department of Housing and Community Affairs, Montgomery County, MD, Accessed June 16, 2022.

<https://ex12.montgomerycountymd.gov/ojn3/ijn12/marketplace>