Agenda Item #3
March 9, 2023
Worksession

M E M O R A N D U M

March 6, 2023

TO: Government Operations & Fiscal Policy (GO) Committee

FROM: Khandikile Mvunga Sokoni, Legislative Attorney

SUBJECT: Bill 1-23, Taxation – Property Tax Credit – Elderly Individuals and Retired Military Services Members - Amendments

PURPOSE: Committee Worksession – no vote expected

Expected Attendees:

- Dennis Hetman, Fiscal Manager, Department of Finance
- Todd Fawley-King, Fiscal & Policy Analyst
- Janmarie Pena, Office of Legislative Oversight (OLO)

Bill 1-23, Taxation – Property Tax Credit – Elderly Individuals and Retired Military Services Members, is sponsored by the Lead Sponsor Councilmember Katz and Co-Sponsors Councilmembers Luedtke and Balcombe, Council Vice-President Friedson, and Councilmembers Fani-Gonzalez, Albornoz, Jawando, Sayles, Mink and Stewart. This bill was introduced on January 17, 2023, a public hearing was held on February 7, 2023, and a worksession before the Government Operations and Fiscal Policy (GO) Committee is scheduled for March 9, 2023 (rescheduled from February 16, 2023).

This bill proposes to increase the assessed value of qualifying properties by $50,000 from the current thresholds, so that the maximum assessed value of a property would be updated from $650,000 to $700,000 for qualifying elderly residents and from $500,000 to $550,000 for eligible military services retirees.

BACKGROUND

Md. Tax-Property Code Ann. § 9-258 (© 5) is the enabling legislation that authorizes the County to establish a property tax credit for elderly residents and military retirees. The State enabling law defines a qualifying individual for this tax credit as:

(i) an individual who is at least 65 years old;
(ii) an individual who is at least 65 years old and 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;
(iii) 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; an individual who: (1) is an active duty, retired, or honorably discharged 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 (2) has a service-connected disability as defined in a local law enacted under this section; or
(iv) a surviving spouse of an individual described under item (iv) of this paragraph who has not remarried.

State Law further authorizes the Council to provide by law for:

(1) the amount and duration of the property tax credit;
(2) the maximum assessed value of a dwelling that is eligible for the tax credit;
(3) the minimum number of years, not to exceed 40 years, that an eligible individual must have resided in the same dwelling;
(4) criteria that define a military service-connected disability of an eligible individual
(5) additional eligibility criteria for the tax credit;
(6) regulations and procedures for the application and uniform processing of requests for the tax credit; and
(7) any other provision necessary to carry out the tax credit authorized by State law.

The Council enacted Bill 42-16 in 2017 creating the property tax credit for elderly individuals and retired military services members as authorized by State Law, and it is contained in County Code §52-110.

Some history behind this property tax credit for elderly individuals and retired military services members is outlined below:

May 2016	Maryland Assembly enacted House Bill 898 authorizing counties to adopt property tax credits for certain qualifying elders and veterans (defined as "United States Armed forces"). The definition effectively excluded other members of the military services such as U.S. Public Health Service and the National Oceanic and Atmospheric Administration. House Bill 898 limited duration of the credit to 5 years and set a 20% cap on the tax credit.
March 2017	Effective date of Council Bill No. 42-16 establishing property tax credits for certain

	qualifying elders and military services members under the parameters allowed by then State law.
July 2017	Effective date of Council Bill No. 13-17 expanded the property tax credit for military retirees to include a retired member of the uniformed services, the military reserves, or the national guard.
July 2018	Effective date of Council Bill 17-18. Changed application process and made provision for retired military services members.
July 2019	Effective date of Council Bill 21-19. Expanded the property tax credit for surviving spouses of retired military services members.
May 2022	Senate Bill 901 signed by the Governor, with a June 1, 2022, effective date, (1) eliminating the 20% cap allowed for this property tax exemption and (2) eliminating the 5-year maximum period allowed for this property tax credit.
July 2022	Council Expedited Bill 9-22 effective, extending the validity of the tax credit from a maximum of 5 years to a maximum of 7 years.

CURRENT REQUIREMENTS TO QUALIFY FOR COUNTY PROPERTY TAX CREDIT.

Bill 1-23 specifically addresses the property tax credit that is contained in § 52-110 of the County Code. This is one of several tax relief programs provided by the County. Other programs include programs for senior citizens of limited income (County Code §52-92), the residential real property tax deferral for seniors of limited income (County Code §52-22), and the property tax refund for disabled veterans and blind persons (County Code §52-23). There is also a more generally applicable tax relief program which provides a homeowners' tax credit (County Code §52-85).

The existing property tax credit for elderly individuals and retired military services members outlined in County Code §52-110 which is the subject of Bill 1-23 lays out eligibility requirements for applicants including age (65 years or older); the individual must have lived in the same dwelling for at least the preceding 40 years; and the dwelling for which a property tax credit is sought must have a maximum assessed value of $650,000 at the time the individual first applied for the credit. For eligible retired members of the military services the maximum assessed value of the property to qualify is $500,000. These values have not been updated since the tax credit was first established.

BILL DETAILS

This bill seeks to update the assessed values to $700,000 and $550,000 respectively.

An individual who is eligible to apply for the first time must submit an application to the County's Department of Finance by April 1 prior to the tax year that a homeowner would receive the credit. According to the Finance Department tax bills are sent to property owners in July with first payments due on September 30th and the second on December 31st. According to the Treasury, they can include what are called "buck slips" in the tax bills about the eligibility/assessment increase being changed. The assessment amount is not listed on the tax facts brochure that goes in each tax bill, but it would be on the webpage under the tax credits.

COUNTY EXECUTIVE'S POSITION

The County Executive transmitted a memorandum to Council dated February 6, 2023 expressing support for Bill 1-23. ©26.

SUMMARY OF IMPACT STATEMENTS

The Office of Legislative Oversight (OLO) submitted a Racial Equity and Social Justice (RESJ) Impact Statement dated January 27, 2023 (at © 16). For reasons more fully explained in the RESJ Impact Statement OLO anticipates Bill 1-23 will have a negative impact on RESJ in the County. The report further states that 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. As such, OLO anticipates the negative RESJ impact of this Bill will be minimal. OLO provided a Climate Impact Statement (at © 8) concluding that Bill 1-23 will have little to no impact on the County's contribution to addressing climate change.

The Office of Management and Budget (OMB) provided a Fiscal Impact Statement on February 14, 2023 (© 22). In OMB's estimation, the proposed increase of the tax assessment cap by $50,000 would result in a 10% increase in eligible elderly and veterans signing up for this tax credit program. This would be an additional 15-20 elderly individuals and 1-2 retired service members yearly. This would mean $318,000 over the next 6 years in lost property tax revenue dollars and between $2.5 million and $3.5 million over the next 20-25 years.

The OMB provided a supplemental fiscal analysis to evaluate the potential increase in the cost of the tax credit if the required number of years of ownership of a property for elderly individuals is decreased from 40 to 30 years or decreased from 40 to 20 years. (See © 24). According to OMB, reducing the required years of ownership from 40 years to 30 years will increase tax credit expenditures by an aggregate $38 million over six years (FY24-29). This change is anticipated to cost the County $63 million in lost tax revenue over 20 years, and $65 million over 25 years. Reducing the required years of ownership from 40 years to 20 years in addition to increasing the cap on assessed values of properties eligible will increase tax credit expenditures by an aggregate $75 million over six years (FY24-29). This change is anticipated to cost the County $125 million in lost tax revenue over 20 years, and $130 million over 25 years. OMB has clarified that in this supplemental analysis calculations were performed on queried data that solely includes owner occupied properties as a prerequisite constraint whereby non-principal residences are excluded.

PUBLIC HEARING TESTIMONY

A public hearing was held before the Council on February 7, 2023. Three speakers testified at the public hearing. One speaker supplemented their verbal testimony with a written submission © 27). All speakers supported the idea of a tax credit for seniors expressing their concerns about how difficult it is for seniors in the community to afford to age in their homes. However, they all advocated for lowering the number of years of home ownership required to qualify from 40 years to either 30 years, 20 years or none.

In other correspondence one resident did not object to the requirement of 40 years of homeownership but objected to the 40-year homeownership requirement being for the same residence. The reasoning being that this requirement discriminates against people of color and people of limited means who may have lived in a home in the County for over 40 years but started out in a starter home and subsequently moved into a different home that they have not yet owned for 40 years.

Council staff note that while it is within the Council's discretion to prescribe the minimum number of years of home ownership required, and that such requirement can be anything from 0 years to 40 years, the enabling legislation does not allow for a sequential count of ownership of different homes. The specific language in State Law provides that the County can set "… the minimum number of years, not to exceed 40 years, that an eligible individual … <u>must have resided in the same dwelling."</u> (Emphasis applied).

STAFF RECOMMENDATIONS AND PROPOSED SPONSORED AMENDMENTS

1. Staff recommend the section titled: "**Sec. 3. Application date.** Notwithstanding Section 52-110(e), an individual must submit an application to the Director on or before September 1, 2023 if the individual seeks to receive the tax credit for Fiscal Year 2024.". The rationale for this is that for the first year after enactment of this bill, extending the application deadline from April 1, 2023, to September 1, 2023, would allow eligible property owners sufficient time to apply for the tax credit. See lines 34-36 of the bill.

2. Councilmember Jawando is proposing an amendment to the bill which he presented as follows:

"I appreciate Councilmember Katz bringing this bill to expand this property tax credit to more of the elderly population, and am glad to be a co-sponsor with my colleagues. Emerging from the pandemic, and with many residents still reeling from inflation, it is particularly important that we are keenly aware of the struggles of our elderly neighbors, many of whom are living on fixed incomes. I would encourage the members of the GO Committee to vote to recommend the expansion of this property tax credit. After reviewing the supplemental analysis from Finance, I propose to amend Section 52-110(c)(1)(B) from 40 years to 20 years, to capture more elderly residents and hopefully to diversify the population of elderly who will benefit. I believe the RESJ Impact Statement also raises some good suggestions for additional legislative avenues to be explored by the Council in the future to benefit our elderly neighbors."

The language of the bill amendment to accomplish this would read:

"**52-110. Property tax credit -- elderly individuals and retired military services members.**

* * *

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

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

(B) the individual has lived in the same dwelling for at least the preceding **[**40**]**<u>20</u> years; and…

This packet contains:

Expedited Bill No. 1-23
Concerning: Property Tax Credit – Elderly Individuals and Retired Military Services Members - Amendments
Revised: ______ Draft No. 1
Introduced: January 17, 2023
Expires: September 17, 2024
Enacted: ______
Executive: ______
Effective: ______
Sunset Date: None
Ch. [#], Laws of Mont. Co. [year]

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Katz
Co-Sponsors: Councilmembers Luedtke and Balcombe, Council Vice-President Friedson, and Councilmembers Fani-Gonzales and Albornoz

AN ACT to:
(1) amend the property tax credit for certain elderly individuals and retired military services members; and
(2) generally amend the law regarding property tax credits.

By amending
Montgomery County Code
Chapter 52, Taxation
Section 52-110, Property Tax Credit – Elderly Individuals and Retired Military Services Members.

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

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 retired military services members.

* * *

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

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

(B) the individual has lived in the same dwelling for at least the preceding 40 years; and

(C) the dwelling for which a property tax credit is sought has a maximum assessed value of **[**$650,000**]**$700,000 at the time the individual first applied for the credit;

(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 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**]**$550,000 at the time the individual first applied for the credit; or

(3) (A) the individual is a surviving spouse 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;

(B) the surviving spouse is at least 65 years old; and

(C) the surviving spouse has not remarried.

(d) *Amount and duration of credit*.

(1) The credit allowed under this Section is 20% of the County property tax imposed on the dwelling.

(2) The credit must be granted each year for 7 years if the individual remains eligible for the credit.

* * *

(f) *Regulations*. The County Executive may issue regulations under Method 2 to administer this tax credit.

Sec. 2. Applicability. Section 52-110, as amended by Section 1 of this Act, takes effect on July 1, 2023.

Sec. 3. Application date. Notwithstanding Section 52-110(e), an individual must submit an application to the Director on or before September 1, 2023 if the individual seeks to receive the tax credit for Fiscal Year 2024.

LEGISLATIVE REQUEST REPORT

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

DESCRIPTION:	Bill 1-23 would amend the existing property tax credit for certain elderly individuals and retired military services members by changing the assessed value of properties that are eligible for the tax credit.
PROBLEM:	During the 2016 legislative session, the General Assembly enacted, and the Governor signed, House Bill 898 which authorized local governments to provide for a property tax credit for certain elderly individuals and veterans. The Montgomery County Council enacted Bill 42-16 in 2017 to implement this tax credit. Currently, in order to be eligible for the tax credit the applicable assessment of a property must not exceed $650,000 for elderly applicants or $500,000 for retired members of the military. This bill seeks to update the assessed value to $700,000 for elderly applicants and $550,000 for retired members of the military to account for increases in property values over the last few years.
GOALS AND OBJECTIVES:	To implement authority granted by the State and offer tax relief to elderly individuals and retired members of the military services.
COORDINATION:	Finance
RACIAL EQUITY AND SOCIAL JUSTICE IMPACT STATEMENT	Office of Legislative Oversight
FISCAL IMPACT:	Office of Management and Budget
ECONOMIC IMPACT:	Office of Legislative Oversight.
EVALUATION:	To be requested.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Khandikile Mvunga Sokoni, Legislative Attorney, 240-777-7895
APPLICATION WITHIN MUNICIPALITIES:	Taxes and credits apply countywide
PENALTIES:	N/A

Md. Tax-Property Code Ann. § 9-258

Current with all legislation from the 2022 Regular Session of the General Assembly; including legislation ratified by the voters at the November 2022 election.

Michie's™ Annotated Code of Maryland > Tax - Property (Titles 1 — 14) > Title 9. Property Tax Credits and Property Tax Relief. (Subts. 1 — 4) > Subtitle 2. Statewide Optional. (§§ 9-201 — 9-267)

§ *9-258*. Elderly individuals and veterans.

(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;

(ii) an individual who is at least 65 years old and 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;

(iii) 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;

(iv) an individual who:

1. is an active duty, retired, or honorably discharged 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

2. has a service-connected disability as defined in a local ***law*** enacted under this section; or

(v) a surviving spouse of an individual described under item (iv) of this paragraph who has not remarried.

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

(1) the amount and duration of the ***property tax*** credit under this section;

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

(3) the minimum number of years, not to exceed 40 years, that an eligible individual not described under subsection (a)(3)(ii), (iii), or (iv) of this section must have resided in the same dwelling;

(4) criteria that define a service-connected disability of an eligible individual described under subsection (a)(3)(iv) of this section;

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

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

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

History

2016, ch. 498; 2017, ch. 184; 2018, ch. 12, § 1; ch. 309; ch. 310; 2019, chs. 36, 332, 333; 2020, ch. 642, § 1; 2022, ch. 267, § 1; ch. 268, § 1.

Annotations

Notes

Effect of amendments. —

Chapter 184, Acts 2017, approved June 1, 2017, and effective from date of enactment, substituted "uniformed services of the United States as defined in 10 U.S.C. § 101, the military reserves, or the National Guard" for "armed forces" in (a)(3)(ii).

Section 1, ch. 12, Acts 2018, approved April 5, 2018, and effective from date of enactment, made a stylistic change in (a)(2).

Chapters 309 and 310, Acts 2018, effective June 1, 2018, made identical changes. Each added (a)(3)(iii) and made related changes.

Chapter 36, Acts 2019, effective June 1, 2019, rewrote (a)(3)(iii).

Chapters 332 and 333, Acts 2019, effective June 1, 2019, made identical changes. Each rewrote (a)(3)(i), added (d)(2), and redesignated accordingly.

Acts 2020, ch. 642, effective June 1, 2020, added (a)(3)(iv) and (a)(3)(v); reenacted (b) and (c) without change; in (d)(2) substituted "(a)(3)(ii), (iii), or (iv)" for "(a)(3)(ii) or (iii)"; added present (d)(3) and redesignated accordingly; and made related changes.

Acts 2022, ch. 267, § 1, effective June 1, 2022 and ch. 268 § 1, effective June 1, 2022, deleted "subsection (d) of" preceding "this section" in (a)(3)(iv)2.; deleted former (c); redesignated former (d) as (c); added (c)(1); and redesignated former (c)(1) through (c)(6) as (c)(2) through (c)(7).

Editor's note. —

Section 2, ch. 498, Acts 2016, provides that "this Act shall take effect June 1, 2016, and shall be applicable to all taxable years beginning after June 30, 2016."

Chapters 473 and 498, Acts 2016, enacted § 9-257 of this article. Neither chapter referred to the other, and effect has been given to both. The section enacted by *ch. 498, Acts 2016*, was redesignated as § ***9-258*** of this article.

Section 2, ch. 184, Acts 2017, provides that "this Act shall take effect June 1, 2017, and shall be applicable to all taxable years beginning after June 30, 2017."

Section 4, ch. 12, Acts 2018, provides that "the provisions of this Act are intended solely to correct technical errors in the ***law*** and there is no intent to revive or otherwise affect ***law*** that is the subject of other acts, whether those acts were signed by the Governor prior to or after the signing of this Act."

Section 2, chs. 309 and 310, Acts 2018, provides that "this Act shall take effect June 1, 2018, and shall be applicable to all taxable years beginning after June 30, 2018."

Chapters 12, 309, and 310, Acts 2018, amended (a). None of the chapters referred to the others, and effect has been given to all, as they amended different portions of (a) or made identical changes.

Section 2, ch. 36, Acts 2019, provides that "a surviving spouse, who is under the age of 65 years 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, may continue to receive the ***tax*** credit under *§ **9-258** of the **Tax - Property** Article* as enacted by Section 1 of this Act if the surviving spouse qualified for and received the ***tax*** credit before June 1, 2019."

Section 3, ch. 36, and § 2, chs. 332 and 333, Acts 2019, provides in part that "this Act shall be applicable to all taxable years beginning after June 30, 2019."

Chapters 36, 332, and 333, Acts 2019, amended (a)(3). None of the chapters referred to the others, and effect has been given to all, as they amended different portions of (a)(3).

Acts *2020, ch. 642, § 2*, provides that "this Act shall take effect June 1, 2020, and shall be applicable to all taxable years beginning after June 30, 2020."

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Bill 1-23 | Property Tax Credit – Elderly Individuals and Retired Military Services

Summary

The Office of Legislative Oversight (OLO) anticipates that Bill 1-23 will have little to no impact on the County's contribution to addressing climate change, as the bill is amending the maximum home value assessments for an existing property tax credit that a small number of Montgomery County residents qualify for.

Background and Purpose of Bill 1-23

A property tax credit reduces a property owner's tax obligation.[1] 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.

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 $500,000 to $550,000 for veterans or their surviving spouse, given they qualify. Bill 1-23, Property Tax Credit – Elderly Individuals and Retired Military Services was introduced to the Council on 1/17/2023.[2]

Property Tax Credits and Community Resilience

Tax credits, including property tax credits, are a common incentive used to encourage private investment in increasing the resiliency of properties.[3] Resilience-specific property tax credits require property owners to take certain steps towards mitigation and building resilience, like installing solar panels or retrofitting their property to comply with resilient building codes in order to earn the credit.[4]

There are some drawbacks to using property tax credits to increase community resilience. For one, it only targets property owners, which leaves out renters who make up about 34% of Montgomery County residents.[5] In addition, over time, tax credits can decrease the overall tax revenue that local government receives, which is a major source of local funding.[6] This could lead to a decrease in the budget and limit the amount of resiliency actions that could be funded by local government.

Bill 1-23 however, does not specifically require property owners to take resilience measures to earn the tax credit.[7] Further, as the property tax credit was first established at the State level and focuses solely on elderly individuals and veterans that have lived in their residence for 40 or more years, a small portion of the County's population, it may not be appropriate to consider adding resiliency requirements or incentives to this specific bill.

Anticipated Impacts

As the bill is amending the maximum home value assessments for an existing property tax credit for a small number[8] of Montgomery County residents, OLO anticipates that Bill 1-23 will have little to no impact on the County's contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions, community resilience, and adaptative capacity.

Recommended Amendments

The Climate Assessment Act requires OLO to offer recommendations, such as amendments or other measures to mitigate any anticipated negative climate impacts.[9] OLO does not offer recommendations or amendments as Bill 1-23 is likely to have little to no impact on the County's contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions, community resilience, and adaptative capacity.

Caveats

OLO notes two caveats to this climate assessment. First, predicting the impacts of legislation upon climate change is a challenging analytical endeavor due to data limitations, uncertainty, and the broad, global nature of climate change. 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.

Purpose of Climate Assessments

The purpose of the Climate Assessments is to evaluate the anticipated impact of legislation on the County's contribution to addressing climate change. These climate assessments will provide Council with a more thorough understanding of the potential climate impacts and implications of proposed legislation, at the County level. The scope of the Climate Assessments is limited to the County's contribution to addressing climate change, specifically upon the County's contribution to greenhouse gas emissions and how actions suggested by legislation could help improve the County's adaptative capacity to climate change, and therefore, increase community resilience.

While co-benefits such as health and cost savings may be discussed, the focus is on how proposed County bills may impact GHG emissions and community resilience.

Contributions

OLO staffer Kaitlyn Simmons drafted this assessment.

[1] Policy Basics: Tax Exemptions, Deductions, and Credits, Center on Budget and Policy Priorities, November 2020.
[2] Bill 1-23
[3] Building Community Resilience with Nature-Based Solutions: A Guide for Local Communities, Federal Emergency Management Agency (FEMA), June 2021
[4] Developing Pre-Disaster Resilience Based on Public and Private Incentivization, National Institute of Building Sciences, October 29, 2015
[5] American Community Survey, Demographic Characteristics for Occupied Housing Units in Montgomery County, MD, United States Census Bureau, Accessed 1/19/23
[6] Local Tax Limitations Can Hamper Fiscal Stability of Cities and Counties, PEW Charitable Trusts, July 8, 2021
[7] Bill 1-23
[8] According to the Economic Impact Statement for 2022 amendments to the Property Tax Credit – Elderly Individuals and Retired Military Services Members, in 2020 only 604 tax credits were issued. Economic Impact Statement Expedited Bill 9-22, Office of Legislative Oversight, 2022
[9] Bill 3-22, Legislative Branch – Climate Assessments – Required, Montgomery County Council, Effective date October 24, 2022

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.[1] 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

[1] 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.[2]

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.[3]

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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[2] Bill 1-23.

[3] 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.[4]

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
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

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

[4] 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.

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

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.

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.

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).

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.

CONTRIBUTIONS

OLO staffer Janmarie Peña, Performance Management and Data Analyst drafted this RESJ impact statement.

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[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
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[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

[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

Fiscal Impact Statement

Office of Management and Budget

Bill 1-23

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

Bill Summary

Bill 1-23 would amend the existing property tax credit for elderly individuals and retired military service members/surviving spouses by changing the assessed value of properties that are eligible for the tax credit. The maximum cap would increase by $50,000 increasing the assessed value cap for seniors from $650,00 to $700,000 and retired military service members/surviving spouses from $500,000 to $550,000.

Fiscal Impact Summary

The anticipated lost property tax over the next six years is projected to be $318,000.

Fiscal Year	2024	2025	2026	2027	2028	2029	Total
Personnel Costs	$0	$0	$0	$0	$0	$0	$0
Operating Expenses	$0	$0	$0	$0	$0	$0	$0
Total Expenditures	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Revenues	**($13,400)**	**($27,200)**	**($43,400)**	**($59,500)**	**($78,000)**	**($96,500)**	**($318,000)**
Total Impact	**($13,400)**	**($27,200)**	**($43,400)**	**($59,500)**	**($78,000)**	**($96,500)**	**($318,000)**
FTE	0.00	0.00	0.00	0.00	0.00	0.00	

Fiscal Impact Analysis

The following are assumed for the fiscal impact analysis:

1. Existing program participants, and beneficiaries, receive this credit for 7 years and exit the program after the term has expired.
2. The value of the assessed property increases by two percent each year.

The following are the calculation details for the fiscal impact analysis:

Finance received a listing from the Treasury of all homes in Montgomery County (13,476 in total) that had not been transacted in the last 30 years and for whom the last known transaction was an arms-length sale, as well as the assessed value of those homes. Approximately 200 seniors and 20 veterans apply for the program each year. Finance calculated the percentage of those homes that would remain below the assessed value eligibility caps for each year between 2024 and 2050 at the $650K and $700K levels, assuming a 2% constant growth in assessed value. The percentage of homes eligible declines over time as the homes continue to appreciate in value at 2% per year. According to the model, a 72.9% eligibility, the number of houses identified in the study which are eligible in 2024, implies that there are about 280 people each year who reach the 40-year mark in their home, regardless of value. Based on the assumptions above the increase in the property tax assessment cap increases the number of elderly and veterans signing up for the program by approximately 10 percent. This would be additional 15-20 elderly individuals and 1-2 retired service members yearly. This would mean $318,000 over the next six years in lost property tax revenue dollars and between 2.5 million and 3.5 million over the next 20-25 years. This estimate is subject to a higher number if the number of individuals who are eligible and apply is greater than what is in this analysis.

Staff Impact	The bill is not expected to impact staff time or duties.
Actuarial Analysis	The bill is not expected to impact retiree pension or group insurance costs.
Information Technology Impact	The bill is not expected to impact the County Information Technology (IT) or Enterprise Resource Planning (ERP) systems.
Other Information	
Later actions that may impact revenue or expenditures if future spending is projected	The number of individuals that may receive this credit may fluctuate in the future due to the actual number of individuals who become eligible. There is also a possibility that the properties receiving credit may increase at a higher or lower rate than assumed in the fiscal analysis.
Contributors	Nancy Feldman, Department of Finance Dennis Hetman, Department of Finance Todd Fawley-King, Department of Finance Abdul Rauf, Office of Management and Budget

Supplemental Analysis

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

Summary

This analysis by the Department of Finance at the request of Councilmember Katz supplements the fiscal impact statement for Bill 1-23 included in the Council Worksession Staff Report dated 3/9/2023. The purpose of this supplement is to evaluate the potential increase in the cost of the tax credit if the required number of years of ownership of a property for elderly individuals is decreased from 40 to 30 years or decreased from 40 to 20 years.

In 2017, the Council enacted Bill 42-16, which created a property tax credit for elderly individuals who have lived in the same dwelling for 40 years, for retired military service members, or for the surviving spouse of retired service members. Originally the property tax credit was granted annually for five years, subject to application requirements. Expedited Bill 09-22E subsequently extended the credit to seven years.

Bill 1-23 as written and introduced increases the maximum assessed value of properties owned by elderly individuals or retired military service members that are eligible for a 7-year 20% property tax credit. The current cap on the assessed value of properties eligible for the program is $650,000 for elderly individuals and $500,000 for retired military service members. Bill 1-23 would increase these values to $700,000 and $550,000 respectively.

Analysis

Reducing the required years of ownership from 40 years to 30 years will increase tax credit expenditures by an aggregate $38 million over six years (FY24-29). This change is anticipated to cost the County $63 million in lost tax revenue over 20 years, and $65 million over 25 years.

Reducing the required years of ownership from 40 years to 20 years in addition to increasing the cap on assessed values of properties eligible will increase tax credit expenditures by an aggregate $75 million over six years (FY24-29). This change is anticipated to cost the County $125 million in lost tax revenue over 20 years, and $130 million over 25 years.

The analysis of changing the required years of ownership involves a number of assumptions to address considerable limitations within the available data; the property registry from SDAT does not contain information on the age of owners. While Finance assumes that substantially all homeowners who have resided in one residence for more than 40 years are elderly individuals (greater than 65 years of age), that assumption is not valid for homeowners who have resided in one residence for only 30 years or for only 20 years. Thus, the analysis relies on Census data which to prevent identification of any respondent aggregates data points into large categories (e.g. homeowners older than 65 that own their residence and whose tenure began between 1990 and 1999).

Census data indicates that there are about equal cohorts of elderly individuals who own their residence in Montgomery County and who moved in (1) before 1989, (2) between 1990 and 1999, and (3) between 2000 and 2009. The three cohorts generally represent the population that gains eligibility for the program each year under (1) the 40-year ownership requirement, (2) under a 30-year ownership requirement, and (3) under a 20-year ownership requirement. As these cohorts are roughly equal in size, it generates the conclusion that reducing the ownership requirement to 30-years would double the number of households eligibility. Reducing the ownership requirement to 20-years would triple the number of households eligible. Finance assumes that the average home assessed value and rate of value increase for the homes of all elderly individuals in each cohort are equal.

OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

M E M O R A N D U M

February 6, 2023

TO: Evan Glass, President
Montgomery County Council

FROM: Marc Elrich, County Executive

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

Thank you for this opportunity to express my support for Bill 1-23, which would change the assessments limits for homes that are eligible for the Elderly Individual and Military Retiree tax credits. These tax credits are allowed for homeowners aged 65 and over. The Elderly Individual credit requires the homeowner to have continuously lived in the home for 40 years or longer. Currently only properties assessed at $650,000 or less are eligible for the credit—this bill increases the eligible assessment to $700,000. The Military Retiree credit is available to any military retiree at least 65 years of age, and the assessment limit for that credit is currently $500,000. This bill would change that assessment limit to $550,000.

Bill 1-23 would have a relatively small fiscal impact on the County, and the changes in the assessment limits are sensible. If you have any questions about this bill, please contact Mike Coveyou, Director, Department of Finance.

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Testimony to the Montgomery County Council
In Favor of Bill 01-23, with Amendments, Property Tax Credit – Elderly Individuals and Retired Military Services Members – Amendments
by Paul Geller, Community Advocate
Tuesday, February 7, 2023

President Glass, Vice President Friedson, Councilmembers Albornoz, Balcombe, Fani-González, Jawando, Katz, Luedtke, Mink, Sayles, and Stewart,

Thank you Councilmember Katz for sponsoring this bill, and to all the co-sponsors as well.

One of the biggest concerns of senior homeowners are property tax increases. A 70-year young friend of mine and his wife recently sold their idyllic home of 28 years in Montgomery Village and moved to another county. Their plan was to remain here, however the property tax became the deciding factor in their decision to move. Others have shared similar concerns with me. This is a big issue for those who are over 65.

This bill rewards our seniors for their many years of loyalty and their contributions to making Montgomery County a great place to live. Here are suggestions for improving this bill:

1. Reducing from 40 to 30 the number of years required for living in the same dwelling. For many homeowners, a 30-year mortgage is the gold standard. According to OMB estimates found on page 5 of the packet, only "...15 to 20 older adult constituents..." will benefit from the 40 year requirement. Changing the threshold to 30 years will benefit many more residents.

2. Changing the number of years for those who qualify from 7 consecutive years to unlimited. Considering these residents have paid property taxes for 30 years, and some have served their country in the military, a 20% discount for however long they choose to live in their homes is a small fiscal sacrifice for their decades of loyalty.

3. Including a benchmark inflationary adjuster so future home value fluctuations will automatically initiate updates to the maximum assessed value of the property. This may obviate regularly revisiting the fixed dollar amounts included in this bill.

Thank you for considering these suggestions for making Montgomery County a friendlier place for those who have invested so much in our community - our wonderful seniors and veterans of the military.

Respectfully submitted,
Paul Geller
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February 13, 2023

Council President Evan Glass
Councilmember Sidney Katz
100 Maryland Avenue
Rockville, MD 20852

Subject: Bill 1-23 Inequity

Dear Council President Glass and Councilmember Katz,

In reference to Bill 1-23 "Property Tax Credit – Elderly Individuals and Retires Military Services Members – Amendment", I'd like to opine that while this bill in its basic intent I support, I also see a glaring inequity presented by this bill.

The inequity in the Bill is the unequal treatment of homeowners in the county. This inequity arises specifically from the condition within the current Bill which requires the applicant for the property tax credit to have owned and lived in the same dwelling for at least the preceding 40 years. within Montgomery County. An applicant for the same property tax credit who has owned and lived sequentially and continuously without a break in time in two or more dwellings as their principal residence for at least the preceding 40 years within Montgomery County is not eligible.

Is not 40 years of living in a dwelling whether in one dwelling or in sequential dwellings without a break the same? 'By without a break', I mean a homeowner who lives in a dwelling and upon sale of the dwelling immediately moves into a new dwelling as their principal residence. This being reflected in the county land records and deeds of home ownership. Property tax paid is continuous without a break also on both previously owned and currently lived in dwellings.

Let's look at the history of home ownership going back to the late 1990s and earlier. People who could afford a home in locations where they planned to retire in place were significantly mostly white people. They were able to do this because overwhelmingly, they were presented with opportunities, had generational family wealth or professional connections, and racially biased factors to be able to purchase homes where they planned to spend the rest of their lives.

At the same time, people of color and or people with lesser means or opportunities, access to generational wealth, and financial guidance settled for starter homes as their income and situation permitted. When their work life and income increased, they were then able to explore acquiring subsequent homes. They did this by purchasing their home serially within their desired location, in this case Montgomery County in Maryland, and did so by arranging the sale of their homes to coincide with the purchase and relocation into their new homes. Oftentimes, this involved moving out of starter homes in less desirable areas to more affluent areas in the county. Nonetheless, all this was done through continuous ownership of homes within the county with no breaks in home ownerships.

The question is why would the county provide the property tax credit to one set of homeowners and not the other, when they have met the conditions of continuous homeownership with no break in ownership in the county? That county can verify these facts through land deed records, SDAT date, property tax records, and other ways.

Though the county's own Office of Legislative Oversight has stated, "…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."

So, the question to be asked following the aforementioned statements by OLO is, when is racial discrimination acceptable, if at all? If Montgomery County governs under the OLO's premise, then it is conveying to its citizens that some racial discrimination is acceptable. Did OLO's study include and consider the population of sequential and continuous dwellings ownership?

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. As noted in OLO's own numbers, the cost burden is borne by resident homeowners of color.

When instituting policies, the goal should be one of enduring stature rather than one that may need revision later. This bill in an example of one which is non-enduring, for when the demographic numbers flip-flop as they surely will, when the numbers for minorities will reflect or be near the ration of what it is today for white to minority ownership. If this Bill is sunset when that happens, then that buttresses the view that this Bill was for the benefit of the white dwelling owners. It this Bill is written now to be enduring, then we know it will be to benefit all county residents it targets within the confines of the amended conditions.

In conclusion, I ask that the County Council in its amendment to Bill 1-23, include the provision for extension of eligibility to this property tax credit to county homeowners who have owned and lived sequentially and continuously without a break in time in the same dwelling or multiple dwellings for at least the preceding 40 years.

Regards,

P. Myo Khin

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