

Public Hearing

MEMORANDUM

February 21, 2013

TO: County Council

FROM: Amanda Mihill, Legislative Attorney *A. Mihill*

SUBJECT: **Public Hearing:** Bill 5-13, Property Tax Credit - Accessibility Features

Bill 5-13, Property Tax Credit - Accessibility Features, sponsored by Councilmember Leventhal, was introduced on February 5, 2013. A Government Operations and Fiscal Policy Committee worksession is tentatively scheduled for March 11 at 2 p.m.

Bill 5-13 would provide for a property tax credit for an accessibility feature installed on an existing residence. The state law that authorizes this credit is shown on ©7. Howard County enacted a similar credit on October 1, 2012. See ©9 for a memorandum from the Executive supporting Bill 5-13, which he notes complements an initiative Executive staff have been working on to increase the supply of housing with "Design for Life" features.

| This packet contains: | <u>Circle #</u> |
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Bill No. 5-13
Concerning: Property Tax Credit -
Accessibility Features
Revised: 1/25/2013 Draft No. 1
Introduced: February 5, 2013
Expires: August 5, 2014
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: _____
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By: Councilmember Leventhal

AN ACT to:

- (1) provide for a property tax credit for an accessibility feature installed on an existing residence; and
- (2) generally amend County law regarding property tax credits.

By adding

Montgomery County Code
Chapter 52, Taxation
Section 52-18T

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

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

1 **Sec. 1. Section 52-18T is added as follows:**

2 **52-18T. Property Tax Credit – Accessibility Features**

3 (a) Definitions. In this Section, the following terms have the meaning
4 indicated.

5 Department means the Department of Finance.

6 Director means the Director of the Department or the Director's
7 designee.

8 Eligible costs means costs that are:

9 (1) incurred within 12 months before the property owner submits an
10 application to the Department for the credit;

11 (2) for a feature authorized under this Section, including reasonable
12 costs to install the feature;

13 (3) paid by the applicant and not, or will not be, reimbursed by any
14 entity; and

15 (4) in excess of \$500.

16 Feature means a permanent modification to a residence that results in:

17 (1) a no-step front door entrance with a threshold that does not
18 exceed ½ inch in depth with tapered advance and return surfaces
19 or, if a no-step front entrance is not feasible, a no-step entrance to
20 another part of the residence that provides access to the main
21 living space of the residence;

22 (2) an installed ramp creating a no-step entrance;

23 (3) an interior doorway that provides a 32-inch wide or wider
24 clearing opening;

25 (4) an exterior doorway that provides a 36-inch wide or wider clear
26 opening, but only if accompanied by exterior lighting that is

27 either controlled from inside the residence, automatically
 28 controlled, or continuously on;

29 (5) walls around a toilet, tub, or shower reinforced to allow for the
 30 proper installation of grab bars with grab bars installed in
 31 accordance with the Americans with Disabilities Act Standards
 32 for Accessible Design;

33 (6) maneuvering space of at least 30 inches by 48 inches in a
 34 bathroom or kitchen so that a person using a mobility aid may
 35 enter the room, open and close the door, and operate each fixture
 36 or appliance;

37 (7) an exterior or interior elevator or lift of stair glide unit;

38 (8) an accessibility-enhanced bathroom, including a walk-in or roll-
 39 in shower or tub; or

40 (9) an alarm, appliance, and control structurally integrated into the
 41 unit designed to assist an individual with a sensory disability.

42 (b) Credit established. In accordance with Section 9-250 of the Tax-
 43 Property article of the Maryland Code, the owner of real property may
 44 receive a property tax credit against the County property tax for a
 45 feature that is installed on an existing residence that is the owner's
 46 principal residence when the feature is installed.

47 (c) Amount of Credit. The tax credit allowed under this Section is the lesser
 48 of:

49 (1) 50% of the eligible costs; or

50 (2) \$2,500.

51 (d) Annual Limit on Amount of Credits Granted.

52 (1) During any fiscal year, the total of all tax credits granted under
 53 this Section must not exceed \$100,000.

54 (2) Credits must be granted in the order in which the Department
 55 receives the complete applications under subsection (e) of this
 56 Section.

57 (3) A complete application that, if granted, would cause the limit set
 58 forth in paragraph (1) of this subsection to be exceeded, must be
 59 granted in the next fiscal year or years and in the order received.

60 (e) Application for the Credit.

61 (1) To receive the credit, a property owner must submit an
 62 application the Department:

63 (A) in the format the Department requires;

64 (B) that includes a copy of the building permit to install the
 65 feature;

66 (C) that includes any document that the Department requires;
 67 and

68 (D) on or before the date the Department sets.

69 (2) The Department must only accept one application for a credit
 70 under this Section for each property during a single tax year.

71 (f) Administration.

72 (1) The County Executive may adopt regulations under Method (2)
 73 to administer this Section.

74 (2) The Department must submit a written report to the Council by
 75 October 1 of each year for the preceding fiscal year. The report
 76 must include the following:

77 (A) number of applicants;

78 (B) number of applications approved;

79 (C) income range of applicants;

80 (D) modification made by the applicant;

- 81 (E) reason for the modification;
- 82 (F) other sources from which the applicant received funds or
- 83 applied for assistance for the modification;
- 84 (G) efforts to advertise the credit; and
- 85 (H) any program recommendations.
- 86 (g) Publicity. The Department must publicize the credit in a way designed
- 87 to inform those most likely to benefit from the credit.
- 88 (h) Effective Date. The credit authorized by this Section applies to tax
- 89 years beginning after June 30, 2013

90 *Approved:*

91

92

93 Nancy Navarro, President, County Council Date

94 *Approved:*

95

Isiah Leggett, County Executive Date

96 *This is a correct copy of Council action.*

97

Linda M. Lauer, Clerk of the Council Date

98

LEGISLATIVE REQUEST REPORT

Bill 5-13

Property Tax Credit - Accessibility Features

DESCRIPTION: Bill 5-13 would provide for a property tax credit for an accessibility feature installed on an existing residence

PROBLEM: County residents may need incentives to be able to make accessibility improvements on their homes.

GOALS AND OBJECTIVES: To provide for the tax credit.

COORDINATION: Department of Finance

FISCAL IMPACT: To be requested.

ECONOMIC IMPACT: To be requested.

EVALUATION: To be requested.

EXPERIENCE ELSEWHERE: To be researched.

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

APPLICATION WITHIN MUNICIPALITIES: To be researched.

PENALTIES: n/a



1 of 1 DOCUMENT

Annotated Code of Maryland
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*** Current through all Chapters Effective January 1, 2013, of the 2012 General Assembly Regular Session, First Special Session, and Second Special Session. ***
*** Annotations through November 26, 2012 ***

TAX - PROPERTY
TITLE 9. PROPERTY TAX CREDITS AND PROPERTY TAX RELIEF
SUBTITLE 2. STATEWIDE OPTIONAL

GO TO MARYLAND STATUTES ARCHIVE DIRECTORY

Md. TAX-PROPERTY Code Ann. § 9-250 (2012)

§ 9-250. Credit for property equipped with accessibility features

(a) "Accessibility feature" defined. -- In this section, "accessibility feature" means:

- (1) a no-step entrance allowing access into a residence;
- (2) interior passage doors providing at least a 32-inch-wide clear opening;
- (3) grab bars around a toilet, tub, or shower installed to support at least 250 pounds;
- (4) light switches, outlets, and thermostats placed in wheelchair-accessible locations;
- (5) lever handles on doors; and

(6) universal design features or any accessibility enhancing design feature prescribed by the Department of Housing and Community Development under § 12-202 of the *Public Safety Article*.

(b) In general. -- The Mayor and City Council of Baltimore City or the governing body of a county or of a municipal corporation may grant, by law, a tax credit against the county or municipal corporation property tax imposed on residential real property equipped with an accessibility feature.

(c) Amount, duration, criteria, regulations. -- The Mayor and City Council of Baltimore City or the governing body of a county or of a municipal corporation may provide, by law, for:

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

Md. TAX-PROPERTY Code Ann. § 9-250

- (2) additional eligibility criteria for the tax credit under this section;
- (3) regulations and procedures for the application and uniform processing of requests for the tax credit; and
- (4) any other provision necessary to carry out the credit under this section.

HISTORY: 2008, ch. 645.

NOTES: EDITOR'S NOTE. --Section 2, ch. 645, Acts 2008, provides that the act shall take effect June 1, 2008.

Section 2, ch. 645, Acts 2008, provides in part that the act "shall be applicable to all taxable years beginning after June 30, 2008."

Chapters 210, 281, and 645, Acts 2008, all enacted § 9-248 of this article. The sections enacted by chs. 281 and 645 have been redesignated as §§ 9-249 and 9-250, respectively.



OFFICES OF THE COUNTY EXECUTIVE

Isiah Leggett

County Executive

February 21, 2013

TO: Nancy Navarro, Council President

FROM: Isiah Leggett, County Executive

SUBJECT: Bill5-13, Property Tax Credit -Accessibility Features

I am writing to express my strong support for Councilmember Leventhal's initiative to increase the supply of housing that includes features that make homes visitable and livable ("Design for Life" features). Housing with these features is critically important for many of our residents – including those living with mobility impairments and our seniors, both of whom experience difficulties in housing with standard designs. We need to take meaningful steps to remove accessibility barriers that interfere with full use of one's home.

Introduction of Bill 5-13 coincides with work that I have had Executive staff doing to create a proposal for incentives and strategies to increase the supply of housing with Design for Life features. We can no longer rely on volunteer programs to create this stock. I congratulate Councilmember Leventhal on providing a proposal to make progress on this important issue.

The proposals that I would like to see go beyond renovations to existing dwellings. We need a program that incentivizes both builders and property owners to include Design for Life features in both existing housing and new construction. To do this requires that we look at additional incentives, such as impact tax credits. Property tax credits will encourage the property owner. Impact tax credits will incentivize the development community. We also need to set the maximum level of available credits high enough to encourage participation. Therefore the maximum level of available credits should be revisited as needed as we gauge participation in future years.

We also need a program that will encourage participation by recognizing builders and designers who participate in creation of homes with Design For Life features. Finally, we need to make certain that end users have timely notice about the availability of these credits.

I will be sending proposed amendments to Bill 5-13 and additional legislation as necessary that will have the following elements:

1. A property tax credit with an initial cap of \$500,000 that during the first year alone can accommodate an estimated 250 applicants and that would apply to both renovation and new construction. This tax credit would have certain adjustments as reflected on the table below.
2. An impact tax credit against school impact taxes for improvements that make a home visitable and which will be certified pursuant to a program to be developed by the Department of Permitting Services. The program will provide varying levels of credit based upon different levels of participation to incentivize greater levels of developer participation.
3. The program will i) provide levels of certification that will trigger the different levels of impact tax credits, ii) fast-track permits for Design for Life units, iii) include partnerships to promote the projects and designers who participate in Design for Life projects, and iv) help raise awareness about the need for and production of housing with Design for Life features.
4. A requirement that developers and realtors disclose to prospective purchasers of new homes the availability of property tax credits for Design for Life features if included in the home.

The credits that are proposed are summarized in the following table:

| Type and amount | Visitable | Livable | Cap/applicant/annum |
|--|---|--|---------------------|
| Property tax (end user) – Total \$500,000/year | Up to \$3000 of certified costs where there has not been an Impact Tax credit (will capture tear down/rebuilds) | Up to \$10,000 (less amount of any impact tax credit provided for address due to visitable features) | \$2000 |
| School Impact Tax (Builder) – with certification that costs of visitable improvements are not passed on to the purchaser | 5% of units - \$500/unit 10% of units - \$1000/unit 25% of units - \$1500/unit 30+% of units - \$2000/unit | \$0 | NA |

I am proposing that the school impact tax credit be utilized for this initiative. While there are many groups with needs that will be served by housing with DFL features, our growing senior population, a group that does not typically generate students, will likely be the largest consumer of housing with DFL features.

My proposal is structured so that developers can take advantage of the credit in a way that will not compensate them in both the price of the home and the credit. Likewise, because the definition of visitable includes livable features, I am proposing an adjustment ranging between \$500 to \$2000 to the total property tax credit to the extent that a school impact tax credit has been provided for the unit.

I am optimistic that this multi-pronged approach will enable the County to increase the stock of housing with DFL features that remove barriers and allow people to remain in their homes rather than face expensive costs of institutional assisted living or expensive renovation costs at a later date.

I look forward to working with the Council in a collaborative effort to develop an effective approach to increase the supply of homes in our County that provide DFL features.

- c: George Leventhal, Councilmember
Joseph Beach, Director, Finance Department
Jennifer Hughes, Director, Office of Management and Budget
Diane Jones, Director, Department of Permitting Services
Betsy Luecking, Staff Liaison, Commission on People with Disabilities and
Commission on Veterans Affairs



ROCKVILLE, MARYLAND

MEMORANDUM

February 20, 2013

TO: Nancy Navarro, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget *JAH*
Joseph F. Beach, Director, Department of Finance *JFB*

SUBJECT: Council Bill 5-13, Property Tax Credit – Accessibility Features

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

JAH:a2a

c: Kathleen Boucher, Assistant Chief Administrative Officer
Lisa Austin, Offices of the County Executive
Joy Nurmi, Special Assistant to the County Executive
Patrick Lacefield, Director, Public Information Office
Joseph F. Beach, Director, Department of Finance
Michael Coveyou, Department of Finance
James Babb, Department of Finance
Erika Lopez-Finn, Office of Management and Budget
Anita Aryeetey, Office of Management and Budget
Ayo Apollon, Office of Management and Budget

Fiscal Impact Statement
Council Bill 5-13 Property Tax Credit – Accessibility Features

1. Legislative Summary.

This legislation offers a tax credit of \$2,500 or 50% of eligible costs, whichever is lower, against the County property tax credit for a feature that is installed on an existing residence that is the owner's principal residence when the feature is installed. The total amount of tax credits granted will not exceed \$100,000 in any fiscal year.

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

There is no revenue associated with this legislation. Expenditures would be capped at \$100,000 per the legislation.

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

There is no revenue associated with this legislation. Expenditure estimates could range from \$0 to \$100,000 within each fiscal year.

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

This legislation does not affect retiree pension or group insurance costs.

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

This legislation does not authorize future spending.

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

It takes roughly 45 minutes to 1 hour per account of administration time for similar tax credits. Once implemented, it would take approximately 400 hours annually of staff time for this program, assuming 400 credits per year. This does not include the implementation time of setting up the system. It is possible the Department of Technology Services will be involved in programming the system/tax credit and importing the file into the Municipal Uniform Information System for collection/billing.

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

New increased staff duties would include application processing for the tax credit. Staff would have to reprioritize other duties as assigned.

8. An estimate of costs when an additional appropriation is needed.
No additional appropriation would be needed.

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

A key variable would include the number of tax credit applications for processing. This figure could range from 40 to 400 applications, but costs would vary depending on the amount of the tax credit claimed.

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

This legislation places a \$100,000 cap on credits issued each year. In the event that credits applied for exceed this amount, they are to be credited for the next fiscal year. It would be possible for a backlog of credits to occur in future fiscal years; however under the proposed legislation, these credits would not cost the County more than \$100,000 each fiscal year. It is possible backlogs of payments could accrue over multiple fiscal years.

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

This legislation will have a fiscal impact of \$100,000 annually.

12. Other fiscal impacts or comments.

None.

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

Erika Lopez-Finn, Office of Management and Budget

Mike Coveyou, Department of Finance

James Babb, Department of Finance



Jennifer A. Hughes, Director
Office of Management and Budget

2/20/13
Date

Economic Impact Statement
Bill 5-13, Property Tax Credit – Accessibility Features

Background:

This legislation would provide for a property tax credit for an accessibility feature installed in an existing residence.

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

- Assume that the majority of the “features” will be eligible for the \$2,500 maximum tax credit, as the cost of the majority of the features will likely exceed the maximum credit.
- Assume that the full extent of the credit program will be used (\$100,000 per year).

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

- If the average credit is very low (the minimum is \$250) the impact could be less than the maximum total allowed, annually.
- If the number of requests for the credit is low then the maximum total credits allowed may not be met. At \$2,500/credit, there would be 40 credits per year available under the \$100,000 program limit. At \$250/credit there would be 400 credits available each year.

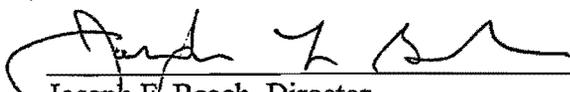
3. The Bill’s positive or negative effect, if any on employment, spending, saving, investment, incomes, and property values in the County.

- The bill may result in de minimis work for home contractors in the future, as it may act as an incentive for homeowners to make some of the accessibility modifications that are eligible for credits.
- It may also result in slightly higher resale values for homes that are modified to make them more accessible.
- Both impacts are expected to be very minor as the annual credit allowed a homeowner is capped and it is expected that the homeowner will choose to have modifications made that will result in a high payback from the credit.

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

- Not applicable

5. The following contributed to and concurred with this analysis: David Platt and Mike Coveyou, Finance.



Joseph F. Beach, Director
Department of Finance

2/19/13
Date