AGENDA ITEM 10
July 8, 2014
Public Hearing

MEMORANDUM

July 3, 2014

TO: County Council

FROM: Josh Hamlin, Legislative Attorney

SUBJECT: **Public Hearing:** Bill 22-14, Property Tax – Rent Reduction Tax Credit

Bill 22-14, Property Tax – Rent Reduction Tax Credit, sponsored by Council Vice President Leventhal and Councilmembers Berliner, Elrich, Floreen and Navarro, was introduced on April 22, 2014. A Government Operations and Fiscal Policy Committee worksession will be scheduled at a later date.

State law authorizes the County to create a tax credit for a property owner providing reduced rent to any tenant who is at least 65 years old or has been determined to be permanently and totally disabled under various federal acts or by the County health officer. The County is also permitted to provide for additional limitations on eligibility for the credit. Bill 22-14 would allow owners who charge reduced rent to eligible elderly or disabled tenants that is at least 15% below market rent to apply for a credit against their County property tax. The amount of the credit would be 50% of the difference between market rent and the reduced rent. Bill 22-14 would also require the Executive to adopt regulations to administer the credit, including income- and asset-based eligibility requirements for tenants.

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Bill No. 22-14
Concerning: Property Tax – Rent Reduction Tax Credit
Revised: 05/07/2014 Draft No. 5
Introduced: April 22, 2014
Expires: October 22, 2015
Enacted: ______
Executive: ______
Effective: ______
Sunset Date: ______
Ch. ____, Laws of Mont. Co. ______

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council Vice President Leventhal and Councilmembers Berliner, Elrich, Floreen and Navarro

AN ACT to:
(1) create a property tax credit for a property owner providing reduced rent for certain elderly or disabled tenants; and
(2) generally amend the law relating to property tax credits.

By adding
Montgomery County Code
Chapter 52, Taxation
Section [[52-18T]] 52-18W

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 [[52-18T]] 52-18W is added as follows:

[[52-18T]] 52-18W. Property tax credit – reduced rent for elderly or disabled tenants.

(a) *Definitions.* In this Section:

Director means the Director of Finance or the Director's designee.

Elderly or disabled tenant means a tenant who meets the income- and asset-based eligibility requirements established by regulation under subsection (f) and:

(1) is at least 65 years old;

(2) has been found permanently and totally disabled and has qualified for benefits under:

(A) the Social Security Act;

(B) the Railroad Retirement Act;

(C) any federal act for members of the United States armed forces; or

(D) any federal retirement system; or

(3) has been found permanently and totally disabled by the County health officer.

Market rent means an amount, determined by the Department of Housing and Community Affairs, equal to:

(1) the rent charged to other tenants for comparable units in the same property; or

(2) if there are no other comparable units in the same property, the rent charged for comparable units in the same market area.

Reduced rent means rent charged to an elderly or disabled tenant that is at least 15% less than market rent.

Rent reduction means the difference between the market rent and reduced rent for the dwelling.

Tax-Property Article means the Tax-Property Article of the Maryland Code.

(b) *Credit.* As authorized by §9-219 of the Tax-Property Article, the owner of a rental dwelling who provides reduced rent to an elderly or disabled tenant may receive a credit against the County property tax.

(c) *Amount of Credit.*

(1) The credit allowed under this Section is 50% of the total rent reductions provided by the owner to elderly or disabled tenants during the tax year.

(2) A credit granted to a person under this Section must not exceed the amount of County property tax paid by the person in the tax year in which the credit is granted.

(d) *Annual aggregate limit.*

(1) Unless a larger amount is approved in the annual operating budget or a Council resolution, during any fiscal year, the total credits granted under this Section must not exceed $250,000.

(2) Credits must be granted in the order in which the Department of Finance receives complete applications under subsection (e).

(3) A complete application that, if granted, would cause the limit set in paragraph (1) of this subsection to be exceeded, must be granted in the next fiscal year or years based on the order in which the Department of Finance received the application.

(e) *Application.*

(1) A property owner must submit an application to the Director on or before the date that the Director sets.

(2) An application must:

(A) be on the form that the Director requires; and

(B) demonstrate that the taxpayer is entitled to the credit.

(f) *Regulations.* The County Executive must adopt regulations under method (2) to administer this Section, including income- and asset-based tenant eligibility requirements.

(g) *Applicability.* The credit authorized by this Section applies to any tax year beginning after June 30, 2014.

Approved:

Craig L. Rice, President, County Council — Date

Approved:

Isiah Leggett, County Executive — Date

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council — Date

LEGISLATIVE REQUEST REPORT

Bill 22-14
Property Tax – Rent Reduction Tax Credit

DESCRIPTION:	Bill 22-14 would allow owners who charge reduced rent to eligible elderly or disabled tenants that is at least 15% below market rent to apply for a credit against their County property tax. The amount of the credit would be 50% of the difference between market rent and the reduced rent.
PROBLEM:	The County wishes to ensure that affordable housing options are available to elderly and disabled residents.
GOALS AND OBJECTIVES:	To provide property tax relief to owners who charge reduced rent to eligible elderly or disabled tenants.
COORDINATION:	Office of Finance
FISCAL IMPACT:	To be requested.
ECONOMIC IMPACT:	To be requested.
EVALUATION:	To be requested.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Josh Hamlin, 240-777-7892
APPLICATION WITHIN MUNICIPALITIES:	Tax credit applies Countywide.
PENALTIES:	Not applicable.

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*** Statutes current through Chapter 1 of the 2014 General Assembly Regular Session ***
*** Annotations current through December 7, 2013 ***

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. § 9-219 (2014)

§ 9-219. Rental dwellings providing reduced rents for elderly or disabled tenants

(a) Qualifications for credit. -- 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 property tax credit against the county or municipal corporation property tax imposed on rental dwellings of owners who provide reduced rents for any tenant who:

(1) is at least 65 years old;

(2) has been found permanently and totally disabled and has qualified for benefits under:

(i) the Social Security Act;

(ii) the Railroad Retirement Act;

(iii) any federal act for members of the United States armed forces; or

(iv) any federal retirement system; or

(3) has been found permanently and totally disabled by a county health officer or the Baltimore City Commissioner of Health.

(b) Eligibility; amount and duration; implementation. -- The county or municipal corporation may provide, by law, for:

(1) the specific requirements for eligibility for a tax credit authorized under this section;

(2) additional limitations on eligibility for the credit;

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(3) the amount and duration of the credit; and

(4) any other provision appropriate to implement the credit.

HISTORY: 1991, ch. 415; 1995, ch. 3, § 1.

NOTES:

LexisNexis 50 State Surveys, Legislation & Regulations

Archaeological and Historic Sites

ROCKVILLE, MARYLAND

MEMORANDUM

May 12, 2014

TO: Craig Rice, President, County Council

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

SUBJECT: FEIS for Council Bill 22-14, Property Tax - Rent Reduction Tax Credit

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

JAH:fz

cc: Bonnie Kirkland, 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
David Platt, Department of Finance
Robert Hagedoorn, Department of Finance
Jed Millard, Office of Management and Budget
Alex Espinosa, Office of Management and Budget
Felicia Zhang, Office of Management and Budget
Naeem Mia, Office of Management and Budget

Fiscal Impact Statement
Council Bill 22-14, Property Tax – Rent Reduction Tax Credit

1. Legislative Summary.

   Bill 22-14 would create a property tax credit for any property owner providing reduced rent to any tenant who is at least 65 years old or has been determined to be permanently and totally disabled under various federal acts or by the County health officer. The Bill would allow property owners who charge reduced rent to eligible elderly or disabled tenants that is at least 15 percent below market rate to apply for a credit against their County property tax. The amount of the credit would be 50 percent of the difference between market rent and the reduced rent. The Bill would also require the County Executive to adopt regulations to administer the credit, including income- and asset-based eligibility requirements for tenants.

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.

   Pursuant to section (d)(1) of Bill 22-14, "unless a larger amount is approved in the annual operating budget or a Council resolution, during any fiscal year, the total credits granted under this Section must not exceed **$250,000**."

   The Department of Housing and Community Affairs (DHCA) believes that there would be few, if any, applicants for this tax credit program as the Bill provides no incentive for property owners to provide tenants with reduced rent. The amount of a credit a property owner could be granted is only 50 percent of the difference between market rates and the reduced rate. However, due to already thinly stretched resources in the Department of Finance, if there are applicants for this program, one additional full-time administrative position at Grade 18 would be required to administer any new property tax credits created by the County. This amounts to a cost of approximately **$72,000** annually to the Department in total personnel costs.

   Considerable staff time may also be required by the DHCA to conduct research on renter statistics and to certify eligibility of tenants and property owners (landlords).

   At this time, it is not possible to accurately quantify the total number and amount of tax credits that would be granted under this program. Data is not readily available as to how many tenants in the County would be eligible and are paying reduced rents and how many property owners would apply for the credit.

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

   See #2.

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

N/A

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

   Any appropriation in the operating budget or by Council resolution to raise or lower the maximum level of support for this tax credit program would affect future expenditures. Creation of any incentives for property owners to offer reduced rents would also increase expenditures.

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

   DHCA believes that there would be few, if any, applicants for this tax credit program as the Bill provides no incentive for property owners to provide tenants with reduced rent. However, due to already thinly stretched resources in the Department of Finance, if there are applicants for this program, one additional full-time administrative position at Grade 18 would be required to administer any new property tax credits created by the County. This amounts to a cost of approximately **$72,000** annually to the Department in total personnel costs.

   Considerable staff time may also be required by DHCA to conduct research on renter statistics and to certify eligibility of tenants and property owners (landlords).

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

   Duties of current staff would not be affected with the addition of one full-time, Grade 18 administrative position in the Department of Finance.

8. An estimate of costs when an additional appropriation is needed.

   See #5.

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

   Variables affecting revenue and cost estimates include, but are not limited to:

   a. The number of eligible elderly or disabled tenants in the County
   b. The number of property owners providing rent for eligible tenants at least 15 percent below market rates
   c. The number of eligible property owners who apply for the program
   d. Creation of incentives for property owners to provide reduced rent to eligible tenants

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

At this time, it is not possible to accurately quantify the total number and amount of tax credits that would be granted under this program. Data is not readily available as to how many tenants in the County would be eligible and are paying reduced rents and how many property owners would apply for the credit.

Considerable staff time may be required by DHCA to conduct research on renter statistics and to certify eligibility of tenants and property owners (landlords).

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

    N/A

12. Other fiscal impacts or comments.

    N/A

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

    Richard Y. Nelson, Director, Department of Housing and Community Affairs

    Michael Coveyou, Department of Finance

    Jedediah Millard, Office of Management and Budget

Jennifer A. Hughes

Jennifer A. Hughes, Director
Office of Management and Budget

5/14/14
Date

Economic Impact Statement
Bill 22-14, Property Tax – Rent Reduction Tax Credit

Background:

This legislation would create a property tax credit for a property owner providing reduced rent for certain elderly or disabled tenants. Bill 22-14 would allow owners who charge reduced rent (at least fifteen percent (15%) below market rent) to eligible elderly or disabled tenants to apply for a credit against their County property tax. The amount of the credit would be fifty percent (50%) of the difference between the market rent and the reduced rent. Bill 22-14 would limit the total credits granted to $250,000 during any fiscal year unless a larger amount is approved either in the annual operating budget or a Council resolution.

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

   Sources of information and data include the Department of Finance, the Department of Housing and Community Affairs (DHCA), and the American Community Survey (ACS), U.S. Bureau of the Census.

   The assumption is that there would be fewer than 200 credit requests according to information provided by DHCA.

   According to ACS, the number of renter-occupied housing units in Montgomery County with the age of the head of the household 65 years or older was 17,431 in 2012. According to the survey, nearly 10,000 household's gross rent is thirty-five percent or more of total household income. However, the total number of eligible households would be limited because households who reside in either Moderately Priced Dwelling Units (MPDU) or receive a subsidy are not eligible for this credit.

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

   The variables that could affect the economic impact estimate are the total amount of the credit that is available, the number of credit requests, the average monthly rent in the County, and, at a minimum, the number of renter-occupied housing units with the age of the head of the household 65 years or older, and the number of renter-occupied housing units that are classified as either MPDUs or receive a subsidy.

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

   According to information provided by DHCA, the Bill would likely have very little economic impact on personal income to the renters and business income of the property owners. Tenants who reside in an MPDU or receive a subsidy would be excluded from receiving the credit. DHCA suggests that because property owners who apply for this program would have to incur lost rent in the amount of fifty percent of the rent reduction, there would not be an economic incentive, in most cases, to voluntarily reduce the rent for the eligible occupants in exchange for the property tax credit.

Economic Impact Statement
Bill 22-14, Property Tax – Rent Reduction Tax Credit

4. **If a Bill is likely to have no economic impact, why is that the case?**
   The Bill is likely not to have a material economic impact for reasons presented in #3 above.

5. **The following contributed to and concurred with this analysis**: David Platt, Rob Hagedoorn, and Michael Coveyou, Finance; and Richard Nelson, Department of Housing and Community Affairs.

Joseph F. Beach, Director
Department of Finance

5/12/14
Date

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