



<b>FROM</b>	NAME & TITLE	Robert Cename, Chief 	CITY of <b>BALTIMORE</b> <b>MEMO</b>	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4941		
	SUBJECT	City Council Bill 18-0254 – Property Tax Credit - School Police Safety Officers		

**TO**

DATE:

The Honorable President and  
Members of the City Council  
Room 400, City Hall

July 3, 2018

Attention: Ms. Natawna Austin

We are herein reporting on CCB 18-0254 proposing to amend Article 28, Subtitle 10-21 of the Baltimore City Code to extend the real property tax credit provided to Public Safety Officers employed by the City's Fire Department, Police Department and Sheriff Office to include officers employed by the Baltimore City Public School System (BCPSS). The implementation of the proposed legislation is July 1, 2019.

**Background**

During the 2017 Legislative Session, House Bill 979 was introduced creating the Baltimore City Property Tax Credit for public safety officers. On December 4, 2017, the Mayor of Baltimore City signed into law City Council bill 17-0120, to grant a local Real Property Tax credit of up to \$2,500 to eligible public safety officers owning and living in a property located in the City. This credit, which will be in effect starting July 1, 2018, is anticipated to be granted to 229 public safety officers for the first year of its implementation.

The general provision of the State law did not include officers working for BCPSS. House Bill 117 was introduced during the 2018 General Assembly legislative session to enable eligibility of public safety officers of the BCPSS for this tax credit.

**Analysis**

There are currently 92 public safety officers employed by BCPSS. Out of this total, 32 are known to live in the City; however, it is unknown their rental or ownership status.

The short-term impact of the proposed legislation is estimated based on the number of public safety officers who currently own and use as primary residence that is a dwelling in the City, and are expected to be employed by the BCPSS in Fiscal 2019. Assuming that all 32 BCPSS officers are owner-occupied City residents, and consequently, would be entitled to the benefit proposed by this legislation, it is estimated that the cost of this program would increase by about \$80,000 during the first year of its implementation. This estimate is based on an average assessment value of \$152,141 for a total City net tax liability of \$2,953 per officer after all other eligible tax credits are applied.

In simple terms, assuming that this program would represent sufficient incentive for the remaining 60 non-City resident public safety officers employed by BCPSS to become owner occupied City residents, it is estimated that the potential cost of this program could increase to \$230,000 in in tax credit cost.

The following table summarizes three participation levels and takes in consideration the short and long-term net impact benefits of additional revenues such as transfer, recordation and income tax generated when officers become City owner-occupied residents. At full participation, this program would represent a net benefit to the City of \$126,900 during the first year of implementation, but a net loss of \$135,500 per year thereafter.

Summary - Estimated Impact of Proposed Legislation				
	Individual	Participation Level		
		Current Residents	30 New Residents	60 New Residents
Number of Participants	1	32	62	92
Net Tax Liability	\$2,953	\$94,506	\$183,105	\$271,704
Cost of Proposed Tax Credit	\$2,500	\$80,000	\$155,000	\$230,000
Remaining Payable Taxes	\$453	\$14,506	\$28,105	\$41,704
1st Year Net Benefit/(Cost) to City	(\$2,500)	(\$80,000)	\$23,477	\$126,954
Out Years Net Benefit/(Cost) to City	(\$2,500)	(\$80,000)	(\$107,744)	(\$135,488)

Operational Concerns:

Unlike the public safety officers employed by the Baltimore City’s Police, Fire and Sheriff departments, where the City has control and supervision over personnel matters, the BCPSS is not a City agency and therefore, the mechanisms validating annual eligibility for this tax credit would be beyond the City’s control. The Department of Finance, more specifically the Fiscal Integrity Office (FIO), is responsible for managing the existing tax credit program and relies on the corresponding agencies to validate employment and residency status.

The employment data source used in the current tax credit application system is not available for officers employed by BCPSS. Therefore, FIO could not preliminarily verify that these individuals are employees of BCPSS, which is the mandatory eligibility requirement of the credit. In order to manage the application and the employment verification it would need to be done manually by BCPSS and then entered into the City’s tax credit application system, as a workaround to the initially automated employment verification process.

Given the significant amount of coding required and the other logistical issues listed above, FIO believes that if this bill passed, the implementation date of July 1, 2019 may not be a reasonable timeframe to allow for these officers to apply for the credit through the tax credit application system.

Conclusion

Based on the number of public safety officers currently employed by the BCPSS, the cost of this proposed credit alone would not represent a significant short nor long-term fiscal and/or financial concern; however, the Department of Finance recommends prudence while implementing policies that further compromise City resources. The credit may work more like a professional entitlement than an incentive, providing no net

benefit to the City. Even with the anticipated small cost from this proposal, this program would increase the cost of the combined tax credits, which is already anticipated to represent more than 10% of real property tax revenues in Fiscal 2019.

The Finance Department recommends that given the technical concerns explained above, the implementation of this tax credit should be postpone until July 1, 2020. If adjusted, the Finance Department will not oppose to the passage of City Council Bill 18-0254.

cc: Henry Raymond  
Kyron Banks