


FROM	NAME & TITLE	THOMAS J. STOSUR, DIRECTOR	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	DEPARTMENT OF PLANNING 8 TH FLOOR, 417 EAST FAYETTE STREET		
	SUBJECT	CITY COUNCIL BILL #14-0407 / TAX CREDITS – PORTABLE HOMESTEAD		

TO

The Honorable President and
 Members of the City Council
 City Hall, Room 400
 100 North Holliday Street

DATE: September 5, 2014

At its regular meeting of September 4, 2014, the Planning Commission considered City Council Bill #14-0407, for the purpose of establishing a property tax credit for a dwelling newly purchased by a homeowner who has previously received, for a certain period, the homestead property tax credit; providing for the amount, duration, and termination of the credit; imposing certain qualifications for and limitations and conditions on the credit; providing for the calculation of the local homestead tax credit on termination of the credit; defining certain terms; and generally relating to the implementation of a portable homestead tax credit.

In its consideration of this Bill, the Planning Commission reviewed the attached staff report, which recommended approval of City Council Bill #14-0407 and adopted the following resolution; eight members being present (eight in favor).

RESOLVED, That the Planning Commission concurs with the recommendation of its departmental staff, and recommends that City Council Bill #14-0407 be passed by the City Council.

If you have any questions, please contact Mr. Wolde Ararsa, Division Chief, Land Use and Urban Design Division at 410-396-4488.

TJS/WA

Attachment

- cc: Ms. Kaliope Parthemos, Chief of Staff
 Mr. Colin Tarbert, Deputy Mayor for Economic and Neighborhood Development
 Mr. Leon Pinkett, Assistant Deputy Mayor for Economic and Neighborhood Development
 Ms. Angela Gibson, Mayor's Office
 The Honorable Rochelle "Rikki" Spector, Council Rep. to Planning Commission
 Mr. David Tanner, BMZA
 Mr. Geoffrey Veale, Zoning Administration
 Ms. Sharon Daboin, DHCD
 Ms. Barbara Zektick, DOT
 Ms. Elena DiPietro, Law Dept.
 Ms. Natawna Austin, Council Services
 Mr. Bill Vorhees, Finance Dept.



Stephanie Rawlings-Blake
Mayor

PLANNING COMMISSION

Wilbur E. "Bill" Cunningham, Chairman

STAFF REPORT



Thomas J. Stosur
Director

September 4, 2014

REQUEST: City Council Bill #14-0407/ Tax Credits – Portable Homestead

For the purpose of establishing a property tax credit for a dwelling newly purchased by a homeowner who has previously received, for a certain period, the homestead property tax credit; providing for the amount, duration, and termination of the credit; imposing certain qualifications for and limitations and conditions on the credit; providing for the calculation of the local homestead tax credit on termination of the credit; defining certain terms; and generally relating to the implementation of a portable homestead tax credit.

RECOMMENDATION: Approval

STAFF: Eric Tiso

PETITIONER: The Administration (Department of Finance)

HISTORY

- On March 10, 2014, the City Council approved a resolution in support of State action for the "Baltimore City Residential Retention Act."

ANALYSIS

History: The Homestead Tax Credit has existed for several decades, with the purpose of limiting the amount a primary residence's tax assessment could increase each year. This limitation on increases served to protect long-time homeowners from potentially large increases in property taxes by local jurisdictions in response to market conditions at the time, and the potential need for increased local revenues. Each jurisdiction in Maryland established a percentage cap, and the Baltimore City rate was set at 4%. In recent years, adjustments to the program took it from an automatic assignment to a program that owners had to apply for, in order to help ensure that the cap was only applied to properties that were primary residences.

Effects and Purpose of the Bill: This bill will implement the recently enacted change to the 2014 Acts of Maryland, Chapter 623, §9-304(g)(2), mandating that the City provide a property tax credit for homeowners that move into another home in the City and who had previously received the Homestead Tax Credit for the preceding five years. The bill also allows the City to assign an additional credit if the new dwelling is located within certain low-income areas.

The purpose is to provide incentive for a City resident to remain within the City by providing this tax credit, especially for those upgrading their homes. At present, since the credit isn't portable, a resident who has lived in their home for a longer period of time while enjoying the 4% tax increase cap, may be hesitant to either upgrade or move at all, since they will lose the benefit the existing Homestead Tax Credit provides. This bill will provide a new credit over the first five years, and will allow the owner to resume their Homestead Tax Credit on their new home thereafter, which solves this dilemma.

The bill provides a total credit of \$4,000 over five years, or \$5,000 over five years for homes within a low or moderate income Census tract, as follows:

Standard applications:

- \$1,000 in the first tax year;
- \$900 in the second tax year;
- \$800 in the third tax year;
- \$700 in the fourth tax year; and
- \$600 in the fifth tax year.

Low- or Moderate-income areas:

- \$1,200 in the first tax year;
- \$1,100 in the second tax year;
- \$1,000 in the third tax year;
- \$900 in the fourth tax year; and
- \$800 in the fifth tax year.

This credit will not be allowed to reduce the tax liability on the new home to below that which the homeowner paid in their previous home. That is, it will both ensure that the City does not lose any further revenue, and ensures that the program generally applies to those upgrading their home. The bill prohibits duplication of credits, such that the homeowner cannot claim more than one form of credit. However, upon the termination of this credit at the end of five years, the homeowner will be entitled to resume the local portion of the credit granted under the Homestead Tax Credit as if they had received the credit beginning the second year they occupied their new home. The bill also ensures that the credit is not transferable – either to a purchaser other than the applicant, or for a subsequent home purchased by the applicant. The Director of Finance will establish the appropriate procedures and applications to operate this program.

Tax Credit Maximum Amount: This tax credit is limited to not more than \$3 Million per year (*i.e.* \$15 Million in total by 2019). This maximum amount will pay for the total cost of the credits approved in each year, as well as the cost of administering the program by the Department of Finance. So, conceptually, for the \$3 Million allotted each year, not more than 750 applications could be approved (dividing the total by the \$4,000 per approved application). The actual number of credits may be less, once the additional \$1,000 per applicant in a low- or moderate-income area, and the costs of administration are factored in.

Community Notification: Notice of this bill was advertised electronically to the Department's e-mail list, as well as to the Community Association Directory (CAD).



Thomas J. Stosur
Director