

FROM	NAME & TITLE	Robert Cennane, Deputy Finance Director	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall		
	SUBJECT	City Council Bill 23-0414 – Property Tax Credit Reform		

DATE:

TO

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

September 21, 2023

Position: Support with Amendments

The Department of Finance is herein reporting on City Council Bill 23-0414, Property Tax Credit Reform – Work Group, the purpose of which is to form an inter-departmental work group to study and make recommendations for reforms to the City’s property tax credit system.

Background

In August 2022 BBMR issued a report titled, “A Comprehensive Review of the City’s Current Tax Credit Programs,” which is available on BBMR’s website at <https://bbmr.baltimorecity.gov/management-research>. This report, completed after years of research on the topic, summarized the existing tax credit programs and provided recommendations on ways to get better value out of these tax incentives.

Analysis

BBMR’s research found general flaws in the City’s tax credit programs in four broad areas: equity, developer benefit, by-right credits, and terms and sunset dates. The research also found significant flaws with two tax credits in particular: the Brownfield Tax Credit and the Historic Preservation (CHAP) Tax Credit. BBMR’s conclusion was that even modest reforms to the City’s offering of tax credits, saving only \$1 out of every \$6 currently spent on the programs, could be redirected to a 15-cent phase-in of property tax relief for residential homeowners.

One of the remaining questions is how to best generate stakeholder and community input on any reform proposals to the City’s tax credit programs. Per discussions with the Administration, the intent is still to convene a Tax Credit Workgroup under the auspices of the City’s 10-Year Financial Plan. This will ensure that the Workgroup has a clear mission and budget parameters, and that any reform proposals will advance the goals of the 10-Year Financial Plan such as structural budget balance and tax competitiveness.

While we appreciate the Council’s intent and urgency in setting up a Council-led workgroup, we fear that having two separate workgroups could cause confusion and create overlap in the work and missions of each workgroup. A better approach would be to include Council input and direct participation into the Tax Credit Workgroup.

Conclusion

The Department of Finance agrees with the intent of CCB 23-0414, which is to study the City’s property tax credit system and make recommendations for reforms. We believe that a Tax Credit Workgroup,

under the auspices of the City's 10-Year Financial Plan, would be the best approach for generating broad stakeholder input and developing recommendations that fit within the parameters of the City's budget.

For the reasons stated above, the Department of Finance supports City Council Bill 23-0414 with amendments.

cc: Michael Moiseyev
Nina Themelis