


FROM	NAME & TITLE	Robert Cename, Chief	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4941		
	SUBJECT	City Council Bill #18-0304: Property Tax Credit for 9-1-1 Public Safety Communicators		

DATE:

TO

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

June 28, 2019

Attention: Natawna Austin

The Department of Finance is herein reporting on City Council Bill #18-0304, introduced for the purpose of establishing a tax credit against the real property tax imposed on the principal residences of certain 9-1-1 public safety communicators; imposing certain limitations, conditions, and qualifications for credit eligibility; providing for the amount, duration and administration of the credit; defining certain terms; providing for a special effective date; and generally relating to a property tax credit for qualified 9-1-1 public safety communicators.

Context and Background

The City has recently added two new tax credits for public safety workers. On December 4, 2017, the Mayor signed City Council Bill 17-0120, which grants 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. On November 19, 2018, the Mayor signed City Council Bill 18-02545, which extends the public safety officers tax credit to also include individuals employed by the BCPSS.

Fiscal Impact

City Council Bill #18-0304 would provide a credit of up to \$2,500 for 9-1-1 Public Safety Communicators.

The fiscal impact of the proposed legislation would be estimated based on three eligible groups: City residents who own and occupy their home, City residents who rent, and non-City residents. The City employs 91 full-time 9-1-1 operators. Thirty-seven of these individuals have been identified as owner-occupied City residents, and therefore are immediately eligible for the proposed tax credit. Total property taxes from the eligible operators is \$89,500. After benefiting from the proposed credit, tax liability for 22 of the 37 individuals would be reduced by 100 percent, while the remaining 15 would have their tax liability reduced by about 81 percent. Total anticipated cost of the proposed tax credit, if granted to current owner-occupied residents, is estimated at \$78,600.

The remaining 9-1-1 operators either live in the City, but rent, or live outside the City. It is unknown if this policy would entice the remaining 54 individuals to purchase real property in the City as their principal residence. If additional 9-1-1 employees moved to the City, the cost of the credit would increase, but these individuals would also generate additional revenue from income, transfer, and recordation taxes. The following table summarizes the possibilities:

	1st Year Impact			Offsetting Revenues			
	#	City Tax	Est'd Tax Credit	Remaining Taxes	Income Tax	Transfer & Recordation Tax	Net Gain/(Loss)
		Current Owner-Occupied Residents	37	\$89,533	(\$78,576)	\$10,956	\$0
Current City Renters	24	\$58,075	(\$50,968)	\$7,107	\$0	\$90,000	\$39,032
Non-Residents	30	\$72,594	(\$63,711)	\$8,883	\$38,553	\$112,500	\$87,342
Total Net Cost of 1st year*	91	\$220,202	(\$193,255)	\$26,946	\$38,553	\$202,500	\$47,797

	2nd Year Impact			Offsetting Revenues			
	#	City Tax	Est'd Tax Credit	Remaining Taxes	Income Tax	Transfer & Recordation Tax	Net Gain/(Loss)
		Current Owner-Occupied Residents	37	\$89,533	(\$78,576)	\$10,956	\$0
Current City Renters	24	\$58,075	(\$50,968)	\$7,107	\$0	\$0	(\$50,968)
Non-Residents	30	\$72,594	(\$63,711)	\$8,883	\$38,553	\$0	(\$25,158)
Total Net Cost of 2nd year**	91	\$220,202	(\$193,255)	\$26,946	\$38,553	\$0	(\$154,703)

* During the 1st year of implementation, and assuming that all City renters and non-City residents become owner-occupied residents, the net benefit/loss to the City is \$47.8K revenue gain due to the increase from income and one-time transfer and recordation tax revenues

** For the 2nd year, all one-time transactional revenues are not available; therefore, there would be a net \$154.7K revenue loss to the City

Other Considerations

Tax Credits: Finance has currently contracted with a consultant, Ernst and Young, to refresh its 10-Year Financial Plan. As part of that contract, the consultant is analyzing the impact of all existing City tax credits. Although the final report is not yet complete, preliminary findings suggest that many of the City's existing tax credits have not spurred additional investment as intended. In addition, tax credits are generally an expensive way to provide a benefit, due to the staffing required to oversee the credit (applications, eligibility criteria, etc.).

Public Safety Officer Credit: The proposed 9-1-1 Officer Tax Credit is structured most similarly to the existing Public Safety Officers Tax Credit, which is still in its infancy. It is unclear if that credit has enticed additional officers to move into the City. Both credits provide a benefit to property owners whose primary residence is already located in the City.

911 Operations: During the 2019 General Assembly session, legislation was passed to begin the upgrade of 911 call center technology. It includes additional funding for local jurisdictions based on a change in how 911 fees are billed, from a per household basis to a per device basis. In preparation for these changes, BBMR and Fire have teamed up to co-sponsor a study for how existing operations should be re-aligned with the new requirements and funding.

Conclusion

Given that City has two critical studies underway that are relevant to this legislation (tax credit policy, and 911 operations), Finance respectfully requests that this legislation be deferred for consideration until this work is completed. We expect both reports to be complete by the end of calendar year 2019.

Cc: Jeff Amaras