



# Howard County

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## *Internal Memorandum*

**Subject:** Testimony on Council Bill No. 75-2016; Establishing the Elderly Individuals and Veterans property tax credit

**To:** Lonnie R. Robbins  
Chief Administrative Officer

**From:** Stanley Milesky,  
Director of the Department of Finance

**Date:** October 26, 2016

During the 2016 session, the General Assembly enacted House Bill 898 authorizing the County to provide a tax credit for owner occupied property where an owner was 65 or older AND has lived in the property for 40 years OR is an owner 65 or older and a retired member of the Armed Forces of the United States.

State law provides that the credit cannot exceed 20%, although the County could choose to make the credit something less. State law also provides that the credit could be granted for up to 5 years. The legislation proposes to enact the credit authorized by the General Assembly in an amount not to exceed 20% for up to 5 years. A property owner is eligible for a credit of taxes on \$500,000 or the assessed value of the property after the Homestead Property Tax Credit is applied.

The legislation also provides that a property owner who is granted a credit under the County's Senior Property Tax Credit may not receive a credit under the proposed legislation during the same fiscal year.

The credit proposed by this legislation will apply to tax years beginning with Fiscal Year 2017.

### **Possible Financial Impact of New Credit**

We have identified 139 owner occupied residential properties that have not had an arms-length transfer on them in that last 40 years. Even if we add no other restricting parameters, these might not all qualify if the non-arms –length transfer was from another family member to the current owner. Of those 139 properties 2 are already getting the current Senior Tax Credit which is 25% of County Tax rather than 20% and 15 are getting the State Homeowner's Credit which ranges from 48% to 122% of County Taxes in this case.

The potential revenue impact for a 20% credit for the remaining 122 properties would be about \$80K for those who qualify under the longevity parameter for the credit.

Estimating the number of homeowners who would qualify under the Veterans parameter for the credit is more difficult. Based on census data and households currently eligible for our Senior Tax Credit, we estimate that there are 3,609 households in the County that are owned by veterans aged 65 and older. House Bill 898 limits the credit to a retired member of the US armed forces. All veterans may not have served long enough to be considered “retired members” which is generally 20 years, although there have been periods of time where military could retire at 15 years. The question remains, what percentage of those household are owned by retired military.

Various scenarios are including in the table below:

% retired after 20 years of service	# of households	# eligible households	Average Asmt*	20% Credit	Annual Rev Loss
10%	3,609	361	322570	654.17	236,155.37
20%	3,609	722	322570	654.17	472,310.74
30%	3,609	1,083	322570	654.17	708,466.11
40%	3,609	1,444	322570	654.17	944,621.48
50%	3,609	1,805	322570	654.17	1,180,776.85

\*Average Assessment was obtained from the current Senior Tax Credit Database.