Office of the County Auditor
Auditor's Analysis – REVISED September 20, 2022

Council Bill No. 52-2022

Introduced: September 6, 2022
Auditor: Owen Clark

<u>Fiscal Impact:</u>

We cannot determine the fiscal impact of this legislation with complete certainty, as it is dependent on the number of residents who apply and are approved for the tax credit stipulated in Section 20.129E of the County Code in the future.

Although unlikely, if 100 percent of eligible homeowners apply, we estimate the fiscal impact of this legislation over its first five years, beginning in Tax Year 2023, could be as much as approximately $10.0 million in decreased property tax revenue.

However, because the Department of Finance (Finance) has stated that it estimates that 85 percent of those eligible will apply, we have chosen to base our analysis on that assumption. This application rate will result in approximately $9.8 million in decreased in property tax revenue over the legislation's first five years (see **Table 1**) due to an increase in tax credits using the additional assumptions noted below.

Based on data provided by Finance on the number of residents receiving this tax credit and those parcels that are potentially eligible for the tax credit in the future, the Auditor's Office has estimated the following five-year increase in tax credits (or decrease in revenues) in millions:

Table 1 - Estimates	TY 2023	TY 2024	TY 2024	TY 2026	TY 2027	5-Year Total
Using CB52-2022	$ 3.8	$ 4.7	$ 5.2	$ 5.5	$ 6.1	$ 25.3
Average - $/Year						$ 5.1
Using Current Code	$ 2.3	$ 3.1	$ 3.3	$ 3.4	$ 3.4	$ 15.5
Average - $/Year						$ 3.1
Foregone Revenue	$ 1.5	$ 1.6	$ 1.9	$ 2.1	$ 2.7	$ 9.8
Average - $/Year						$ 2.0

Assumptions used in our estimates include the following:

- Recipients that have received the tax credit in Tax Year 2021 or Tax Year 2022 will continue receiving this tax credit until their eligibility is exhausted.
- We are unable to determine and have not estimated which future parcels may become eligible under the Military or Surviving Spouse criteria in future tax credit years.
- Eighty-five percent of eligible residents will apply for the tax credit.

- A housing turnover rate of 2.91 percent (estimated as the turnover rate of residents 65 years or older in Howard County using the 2020 Census data) will be recognized annually.
- Tax assessments of parcels will increase at a rate of 2 percent annually, to remain consistent with the assessment growth assumption used in Finance's estimated fiscal impact.
- The projected annual tax credits of each parcel will be capped at the maximum amount permitted by the applicable assessment cap ($650,000 per the proposed legislation and $500,000 per the current provisions).
- All future qualifying homeowners will choose to apply for the Aging-In-Place Tax Credit instead of applying for the Senior Tax Credit.
- Parcels that have not participated in the tax credit since Tax Year 2020 are assumed to no longer be eligible for the tax credit.
- Homeowners that become eligible due to the term of their homeownership will all be one of the following: over the age of 65, retired military, or a surviving spouse of a retired member of the Armed Forces.

Purpose:

The purpose of this proposed legislation is to remove the five-year limit on the duration a homeowner may receive the Aging-In-Place Tax Credit noted in the County Code in Section 20.129E – "Property Tax Credit for Seniors and Retired Military," as well as increasing the upper threshold for calculating the tax credit from $500,000 to $650,000.

This legislation would apply to tax years beginning after June 30, 2023, which would be Tax Year 2023 (beginning on July 1, 2023, and ending on June 30, 2024).

Other Comments:

Based upon information provided by Finance, we have determined the following:

Parcel data containing 79,863 primary residences in the County was used to determine future eligible recipients of this tax credit. This data does not include whether or not the resident is retired military or a surviving military spouse, as this information is not available.

Historical Aging-in-Place Tax Credit reporting, which only shows partial year reporting for Tax Year 2022, shows that 3,089 parcels have received this tax credit since its inception. Of these:

- 1,483 parcels have received the tax credit for the five-year maximum term.
- 293 parcels are or have been eligible due to the Military or Surviving Spouse Provision of the tax credit.
- 451 parcels are presumed to no longer be eligible since they have not received the tax credit since Tax Year 2020.
- The remaining parcels are assumed to be active recipients of the tax credit.