The Baltimore City Property Tax Study

Department of Legislative Services 2014

Baltimore City Property Tax Study

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

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Department of Legislative Services
Office of Policy Analysis
Maryland General Assembly

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Executive Director

Warren G. Deschenaux
Director

December 2014

The Honorable Stephanie C. Rawlings-Blake, Mayor of Baltimore
The Honorable Bernard C. (Jack) Young, President of the City Council of Baltimore
Members of the Baltimore City Delegation

Ladies and Gentlemen:

The Department of Legislative Services respectfully submits this final report in accordance with Chapter 624 of 2014, which required the department to study the feasibility and effects of increasing Baltimore City's homestead property tax credit assessment cap and using the increased revenue to offset a reduction in the city's property tax rate. As required by Chapter 624, this study estimates:

(1) the amount of reduction in Baltimore City's property tax rate that could be offset by various increases in the homestead property tax credit assessment cap; and
(2) the net impact on homeowners of increasing Baltimore City's homestead property tax credit assessment cap while decreasing the property tax rate.

In addition, as required by Chapter 624, this study considers (1) the significance of the homestead property tax credit assessment cap as a revenue stabilization mechanism and (2) alternative revenue stabilization mechanisms that could be utilized in lieu of the homestead property tax credit assessment cap. Chapter 624 requires the department to submit this report of its findings to the Mayor and City Council of Baltimore City and the members of the General Assembly representing Baltimore City by December 31, 2014.

This study was prepared by Michael Sanelli and Stanford Ward and reviewed by Hiram Burch and John Rohrer; the manuscript was prepared by Marsha Moore. The department would like to thank the State Department of Assessments and Taxation and the Baltimore City Department of Finance for their assistance with this study. The Department of Legislative Services trusts that this study will be useful to Baltimore City government, members of the General Assembly, and others interested in matters relating to property taxation in Baltimore City.

Sincerely,

Warren G. Deschenaux
Director

WGD/mm
cc: Mr. Karl S. Aro

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Executive Summary

Chapter 624 of 2014 required the Department of Legislative Services (DLS) to study the feasibility and effects of increasing Baltimore City's homestead property tax credit assessment cap and using the increased revenue to offset a reduction in the city's property tax rate. The study must estimate: (1) the amount of reduction in Baltimore City's property tax rate that could be offset by various increases in the homestead property tax credit assessment cap, and (2) the net impact on homeowners of increasing Baltimore City's homestead property tax credit assessment cap while decreasing the property tax rate. In addition, the study must consider (1) the significance of the homestead property tax credit assessment cap as a revenue stabilization mechanism and (2) alternative revenue stabilization mechanisms that could be utilized in lieu of the homestead property tax credit assessment cap. DLS must submit a report of its findings and recommendations to the Mayor and City Council of Baltimore City and the Baltimore City House Delegation and Baltimore City Senators by December 31, 2014.

Baltimore City's property tax rate of \$2.248 per \$100 of assessed value is the highest in the State and more than twice as high as adjacent suburban counties. There is widespread concern that high property taxes have contributed to the city's loss of population and are hurting the city's economy. Chapter 624 was intended to address this concern by examining one potential option for reducing the city's tax rate without lowering city tax revenue. Property taxes are the second leading revenue source for Baltimore City after State aid.

The homestead property tax credit program limits the annual increase in taxable assessments for owner-occupied residential properties to 10% or less. Each county and municipality annually sets its assessment cap between 0% and 10%. Baltimore City's cap is currently set at 4%. Most other jurisdictions have higher assessment caps. During times of flat or decreasing assessments, jurisdictions with higher assessment caps gain back assessable base that was lost to the homestead credit in previous years at a much faster rate than those jurisdictions with lower assessment caps. Therefore, increasing the city's assessment cap to 10% will accelerate the recapture of revenues from the homestead property tax credit and provide, in the near term, a revenue source to offset a property tax rate reduction.

In conducting the study of the homestead property tax credit in Baltimore City, DLS has identified four options regarding the homestead property tax credit for Baltimore City to consider.

Option 1 – Stay the course and leave the homestead assessment cap at 4%

Over time, if conditions remain relatively constant, the city will gradually recoup the assessable base lost to the homestead property tax credit as taxable assessments gradually catch up with market assessments, and therefore the city will realize somewhat more property tax revenue in each year.

Option 2 – Increase the homestead assessment cap to 10% and use additional funds for city programs

Any additional revenue realized from an increased assessment cap could be used as additional general fund revenue to fund other city programs. Because the amount of revenue from an increased assessment cap is uncertain in the out years, using the revenue from an increased cap for general spending does not lock the city in to a property tax rate cut that may or not be offset by the additional revenue from an increased assessment cap in the long term.

Option 3 – Increase the homestead assessment cap to 10% and reduce the city's real property tax rate accordingly

The city can likely use an additional \$6.8 million in revenue in fiscal 2017 through 2019 to provide a real property tax cut of \$0.0188 in each of those years, so that the city can reduce the real property tax rate by a total of \$0.056 with no net loss of revenue, at least in the near term. The city could continue to reduce its real property tax rate in each year that it realizes additional revenue from the increased assessment cap. However, as taxable assessments catch up with market assessments, the additional revenue due to a higher homestead assessment cap will diminish and the rate reduction will no longer be revenue neutral.

Option 4 – Increase the homestead assessment cap to 10% and use additional revenue to provide additional funding for the Targeted Homeowners Tax Credit Program

If the city wishes to use the increased revenue from a higher homestead assessment cap to fund property tax relief, it could use the revenue to increase property tax relief for only *homeowners* under the Targeted Homeowners Tax Credit Program. Using the funds from an increased assessment cap in this manner may be a more efficient way to achieve the city's goals than an across the board property tax cut for several reasons. As with Option 3, the higher homestead assessment cap may offset the revenue loss from an enhanced targeted tax relief program, but as taxable assessments catch up with market assessments, this would no longer be the case.

Chapter 1. Introduction

Chapter 624 of 2014 requires the Department of Legislative Services (DLS) to study the feasibility and effects of increasing Baltimore City's homestead property tax credit assessment cap and using the increased revenue to offset a reduction in the city's property tax rate. The study must estimate:

(1) the amount of reduction in Baltimore City's property tax rate that could be offset by various increases in the homestead property tax credit assessment cap; and
(2) the net impact on homeowners of increasing Baltimore City's homestead property tax credit assessment cap while decreasing the property tax rate.

In addition, the study must consider (1) the significance of the homestead property tax credit assessment cap as a revenue stabilization mechanism and (2) alternative revenue stabilization mechanisms that could be utilized in lieu of the homestead property tax credit assessment cap. DLS must submit a report of its findings and recommendations to the Mayor and City Council of Baltimore City and the Baltimore City House Delegation and Baltimore City Senators by December 31, 2014.

The local property tax rate in Baltimore City is the highest in the State and more than twice as high as adjacent counties. There is widespread concern that high property taxes have contributed to the city's loss of population and are impacting the city's economy. Chapter 624 was intended to address this concern by examining one potential option for reducing the city's tax rate without lowering city tax revenue.

Like many other large central cities in the United States, Baltimore City has experienced population loss in recent decades. The city's population peaked at nearly 950,000 residents in the census of 1950. In the most recent census in 2010, the city's population was about 621,000. According to the most recent population estimates, the city's population appears to have stabilized in the past few years and may be slightly increasing again. However, the loss of population has undermined the city's economy and finances.

In the decades after the Second World War, middle class families left the city for the suburbs in large numbers. This reflected a trend in major urban areas across the country. The reasons for this movement were varied but included a desire for larger homes, less crime, and better schools. As middle-class families departed, they took jobs and tax revenue with them. The suburban counties surrounding Baltimore City now have a much larger population and economy than the city itself.

The city retained a population that consisted disproportionately of lower-income families. The city, therefore, faced a greater demand for government services to meet the needs of city residents at the same time that its tax base was in decline. The city also continued to be responsible for maintaining expensive urban infrastructure such as transportation and water and sewer systems.

And other economic trends, such as the decline of manufacturing and heavy industry in the United States, had a detrimental impact on the city's economy.

High crime and struggling schools are both a cause and a symptom of the loss of residents, especially middle-class families. Even as the city's need to invest in public safety and education increased, its ability to pay for these vital services was in decline. Baltimore City government sought to meet its fiscal obligations, in part, by raising tax rates. As noted, the city's property tax rate is the highest in the State, and its local income tax rate is at the maximum level allowed by State law. In addition, the city imposes a variety of taxes that most other jurisdictions do not, such as levies on telephone service, energy, parking, bottled beverages, taxis, and billboards. In addition, the State has responded to the city's difficult fiscal situation by greatly increasing aid, especially for education. The State has also assumed full financial and operational responsibility for the city's detention center, central booking facility, and community college.

Concerns have been expressed that the city's tax rates are hindering its goal of increasing its population and boosting economic development. Seeking to build on the apparent recent reversal of the city's population decline, Baltimore Mayor Stephanie Rawlings-Blake has set a goal of increasing the city's population by 10,000 families over a decade.

Many believe that if the city can adopt tax rates that are more competitive with surrounding jurisdictions, the city's other many strengths will draw in new residents and add to its prosperity. The city's assets include its many universities, Johns Hopkins Medicine, outstanding cultural institutions, several major State and federal government agencies, a successful port, and its many unique neighborhoods. The city's relatively affordable housing prices are increasingly attracting residents with jobs in Washington, DC who commute to work using the State's MARC rail service.

Chapter 2. Maryland's Property Tax Structure

Assessment of Real and Personal Property

A well-defined statutory relationship exists between the State and local governments in the administration of the property tax system in Maryland. While property tax revenues are a relatively minor revenue source for the State, the State has assumed responsibility for the valuation and assessment of property. Local governments, on the other hand, levy and collect property taxes. The State assumption of the valuation and assessment function was implemented in 1973 to provide uniform and equitable assessments of property throughout the State, in compliance with the "uniformity clause" of the Maryland State Constitution. Article 15 of the Declaration of Rights provides that the State shall "by uniform rules, provide for the separate assessment, classification and sub-classification of land, improvements on land, and personal property . . . and all taxes . . . shall be uniform within each class or sub-class . . ."

Centralized State Role in Assessing Property

In 1959, Chapter 757 created the State Department of Assessments and Taxation (SDAT) and the Maryland Tax Court. The creation of these two bodies was in response to long-standing concerns about the existing assessment agency – the State Tax Commission – which served as both an assessing authority and an appellate body that ruled on its own assessments. Concerns continued to exist, however, with respect to enforcing a uniform level of valuation and assessment. Assessment ratio studies are performed annually to evaluate the accuracy and uniformity of property assessments. These assessment ratio studies comparing property assessment values and sales prices repeatedly demonstrated a wide range of assessment ratios among the counties prior to the State takeover of property assessments.

The 1960s were a time of considerable appreciation in suburban property values. This appreciation in value was recognized in sporadic reassessments. For example, some Baltimore County homeowners received 100% assessed value increases in the fall of 1972 because the properties had not been subject to reassessment for 10 years. That same year, a class action suit was brought by property owners from several counties charging that all properties were not being reassessed uniformly.

Responding to mounting concerns and legal challenges to the assessment process, Chapter 784 of 1973 was enacted to require SDAT to assume full cost and supervision of the property assessment function for the entire State. The State's assumption of complete financial responsibility for assessment administration was phased in over a three-year period. The Supervisors of Assessments of the 23 counties and Baltimore City entered State service in 1973. The local assessors became State employees in 1974, followed by the local clerical staffs in 1975. This centralized valuation and assessment system provided the uniformity and consistency in property valuations and assessments sought by Maryland's property owners.

Local governments benefit as well from the centralized system because the State bears some of the cost. Today, as a result of Chapter 397 of 2011, the counties and Baltimore City are required to reimburse SDAT for (1) 50% of the costs of real property valuation; (2) 50% of the costs of business personal property valuation; and (3) 50% of costs incurred by SDAT with regards to information technology. Local expenditures are calculated on the basis of each county's share of real property accounts and business personal property as a percentage of the total.

Triennial Assessment Process

Under current law, real property is valued and assessed once every three years. This approach, the triennial assessment process, was part of major property tax reform established in 1979. Under this process, assessors from SDAT value each property every three years. No adjustments are made in the interim, except in the case of (1) a zoning change; (2) a substantial change in property use; (3) extensive improvements to the property; (4) a prior erroneous assessment; (5) a residential use assessment is terminated; or (6) a subdivision occurs. The assessor determines the current "full market value" of the property and any increase in value is phased in over a three-year period. Any decrease, however, is recognized immediately for assessment purposes.

Because only one-third of the properties in each county is reassessed in a given year, local governments can rely on prior years' growth in the other two-thirds of the base to reduce the full impact of any one-year decline in assessable base. Conversely, when market values are rising, assessed values lag behind the current market, resulting in a slower annual growth in the assessable base than the market may indicate. For example, consider a home that had been assessed for $300,000 and is increasing in value at $15,000 per year. The new assessment was $345,000. Under the triennial assessment process, the home's assessed value would phase in through three equal increments (year one $315,000; year two $330,000; year three $345,000). If the market value of the property continues to increase by $15,000 per year, the difference between the market value and the assessed value for each year increases. For year one, the property owner will pay taxes on a $315,000 assessment although the home is now worth $360,000. For year two, the property tax bill will be based on a $330,000 assessment and the market value of the home is $375,000. Finally in year three, the assessment reaches the market value at the time of the last reassessment, or $345,000, while the property's actual value is now $390,000. For each year, the property's assessment is below the current market value. In summary, the triennial process and its three-year phase-in schedule provide some cushion for taxpayers during periods of dramatically increasing property values and for local governments during a downturn in the housing market.

Homestead Property Tax Credit Program

The Homestead Property Tax Credit Program limits the annual increase in taxable assessments for owner-occupied residential properties to 10% or less. The credit applies to State, county, and municipal property taxes and is equal to the amount of property tax attributable to any annual assessment increase above a specified "cap." The percentage cap on assessment increases is set at 10% for purposes of the State property tax. Each county and municipality annually sets its assessment cap between 0% and 10%. A majority of local subdivisions have assessment caps below 10%: 21 counties in fiscal 2013, 2014, and 2015. **Exhibit 2.1** lists county assessment caps for fiscal 2013 through 2015.

A property owner may claim the homestead credit only for one principal residence. To qualify as a principal residence, the property must be actually occupied by the property owner for more than six months a year. The credit limits assessments only as long as a property owner continues to reside in a dwelling. When a property is sold to a new owner, the new owner will pay property tax on the full assessed value of the property, even if the previous owner was paying tax on a smaller portion of the assessment. In subsequent years, the new property owner will begin to benefit from the homestead credit if later assessment increases exceed the cap. The homestead credit does not apply if, in the previous tax year, the zoning classification of the property was changed at the request of the homeowner, or the use of the property was changed substantially.

To claim the credit, a property owner must file an application with SDAT so that the applicant's eligibility may be verified. A property owner is required to file the application only once. Once SDAT has approved the application, the property owner will continue to receive the credit for as long as the owner occupies the property. The requirement to file an application was imposed by the General Assembly in 2007 in response to concerns that the credit was being inadvertently or fraudulently claimed for properties that were ineligible. For properties transferred to new ownership before December 31, 2007, the deadline to submit an application was December 30, 2013. For a newly purchased property, the deadline is May 1 preceding the taxable year for which the credit is being sought.

The General Assembly established the homestead credit in 1977 in response to concerns that rising assessments were placing an undue tax burden on homeowners. The credit is of particular importance to seniors on fixed incomes and other homeowners of limited means who could be seriously burdened or even forced to leave their homes by increasing property taxes. However, homeowners with expensive properties realize the largest benefits from the program because the amount of property tax relief increases with the assessed value of the property. Individuals who have owned their homes for long periods of time are more likely to benefit from the credit. And homeowners in neighborhoods with significant assessment increases due to high demand for housing also disproportionately benefit.

When the General Assembly created the Homestead Property Tax Credit Program in 1977, the mandated assessment cap was 15%. Responding to advice of the Attorney General that a permanent 15% cap would violate the Maryland Constitution's requirement that property taxation be uniform, the program in its early years was never authorized for a period longer than two years. In an attempt to resolve the constitutional concerns, in 1988 the General Assembly created income criteria for eligibility for the credit and made the credit permanent. The income test was repealed in 1990, however, before it took effect. Without income criteria, the credit is subject to the same constitutional concerns previously raised by the Attorney General. However, to date the constitutionality of the program has not been challenged in court.

In 1991, the General Assembly set the homestead assessment cap at 10% for purposes of the State property tax and allowed counties and municipalities to set local assessment caps of anywhere from 0% to 10%. In 2010, the General Assembly mandated that an assessment cap of 10% apply to taxes imposed by a bicounty commission, such as the Maryland-National Capital Park and Planning Commission.

The extent to which the Homestead Property Tax Credit Program may actually restrict the ability of a county to raise property tax revenues depends on the county's need for revenues from the property tax and other legal and practical limitations. For example, a county impacted by a charter-imposed property tax limitation measure would presumably reduce tax rates to offset the impact of rising assessments in the absence of the homestead credit. **Exhibits 2.2** and **2.3** show the impact that assessments caps have had on each county's assessable base and local property tax revenues. These exhibits show that Baltimore City foregoes a relatively high percentage of its property tax base due to its 4% homestead credit cap. In fiscal 2015, the assessable base lost due to the homestead tax credit was approximately 5.8% of the total assessable base. Only two counties, Anne Arundel and Talbot, with assessments caps of 2% and 0%, respectively, lose a higher percentage of their assessable base to the homestead tax credit.

Baltimore City also has a relatively large number of homeowners who receive the homestead credit compared to other jurisdictions. **Exhibit 2.4** shows the number of homestead credit recipients by county in fiscal 2015. Baltimore City has 54,934 homestead recipients, who account for 15% of the total number of homestead recipients in the State, even though the city has only about 10% of the State's population. This likely is attributable to the city's relatively low 4% assessment cap. The only counties with a larger number of homestead recipients are Anne Arundel and Prince George's, which each have a 2% assessment cap, and Baltimore County, which has a 4% assessment cap but a significantly larger population than the city. It is important to note that the level of a county's assessment cap is more likely to determine the number of homestead recipients in a county than the size of the county's population. For example, Montgomery County, which has the State's largest population, had only 4,439 homestead recipients in fiscal 2015, due to the county's 10% assessment cap, which allows taxable assessments to catch up more quickly with market values.

The Homestead Property Tax Credit Program is administered in conjunction with the triennial assessment process as follows. As shown below, the homestead credit requires that assessment increases be phased in even more slowly than they would be under the triennial assessment process.

- Increases in property assessments are equally spread out over three years. For example, if a property's assessment increases by $120,000, from $300,000 to $420,000, the increase is phased in through increments of $40,000 annually for the next three years.
- If the homestead assessment cap is set at 10%, however, the amount of assessment subject to taxes would increase by only $30,000 in the first year, $33,000 in the following year, and $36,300 in the third year.

- Since the assessment cap was set lower than the actual market increase, the homeowner does not have to pay taxes on the property's full assessed value.

Tax Rate-setting Authority

The State property tax rate is established annually by the Board of Public Works, which is required by law to set a rate necessary to pay debt service on State general obligation bonds, except to the extent that funds are provided from other sources.

Local property tax rates are set annually by local governments and are applied to the county and municipal assessable bases. Generally, State law does not restrict the setting of property tax rates, enabling local governments to set rates at the level required to fund governmental services. Under the Maryland Constitution, the General Assembly retains the authority to set maximum limits on the rate of property taxes in municipalities (subject to approval at a local referendum) and in code home rule counties. However, the Department of Legislative Services is unaware of any instances in which this authority has ever been exercised. Furthermore, local government statutes may limit the tax rates that may be set.

The local property tax rate is established by each county, Baltimore City, or municipality expressed as an amount per $100 of assessed value. The county property tax rate may be supplemented by special property tax levies for special districts. Thus, local governments have the final authority for determining how much property tax revenue is generated.

While the authority to set property tax rates is vested in local governments, the tax rates imposed must be uniform for all classes of property in counties, while municipalities set rates that are uniform within each class of property. Furthermore, the constant yield tax rate law, enacted in 1977, imposes a notice requirement on local governments in the event that a proposed tax rate is higher than the rate that would sustain current revenues.

Property Tax Limitation Measures

Five charter counties (Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico) have amended their charters to limit property tax rates or revenues. In Anne Arundel County, the total annual increase in property tax revenues is limited to the lesser of 4.5% or the increase in the Consumer Price Index. In Montgomery County, the growth in property tax revenues is limited to the increase in the Consumer Price Index; however, this limitation does not apply to new construction. In addition, the limitation may be overridden by a unanimous vote of all nine county council members. In Prince George's County, the general property tax rate is capped at $0.96 per $100 of assessed value. Special taxing districts, such as the Maryland-National Capital Park and Planning Commission, are not included under the tax cap. In Talbot and Wicomico counties, the total annual increase in property tax revenues is limited to the lesser of 2% or the increase in the Consumer Price Index.

The counties may exceed the charter limitations on local property taxes for the purpose of funding the approved budget of the local board of education. If a local property tax rate is set above the charter limit, the county governing body may not reduce funding provided to the local board of education from any other local source and must appropriate to the local board of education all of the revenues generated from any increase beyond the existing charter limit. Any use of this authority must be reported annually to the Governor and the General Assembly. This authority was adopted at the 2012 session in order to ensure that counties have the fiscal ability to meet new maintenance of effort requirements. In fiscal 2013, Talbot County became the first jurisdiction to exercise this new authority by establishing a 2.6 cent supplemental property tax rate for the local board of education. No jurisdiction exercised this authority in fiscal 2014 or 2015.

Property Tax Exemptions

The types of property exempt from local taxation are enumerated in Title 7 of the Tax-Property Article. Exemptions apply to State property taxation as well. While local governments have limited ability to alter real property exemptions, they have been granted broad authority to exempt certain types of personal property from property tax. The State has not imposed personal property taxes since fiscal 1984.

Exhibit 2.1

Homestead Assessment Caps for Maryland Counties

County	FY 2013	FY 2014	FY 2015
Allegany	7%	7%	7%
Anne Arundel	2%	2%	2%
Baltimore City	4%	4%	4%
Baltimore	4%	4%	4%
Calvert	10%	10%	10%
Caroline	5%	5%	5%
Carroll	5%	5%	5%
Cecil	8%	8%	8%
Charles	7%	7%	7%
Dorchester	5%	5%	5%
Frederick	5%	5%	5%
Garrett	5%	5%	5%
Harford	5%	5%	5%
Howard	5%	5%	5%
Kent	5%	5%	5%
Montgomery	10%	10%	10%
Prince George's	4%	2%	2%
Queen Anne's	5%	5%	5%
St. Mary's	5%	5%	5%
Somerset	10%	10%	10%
Talbot	0%	0%	0%
Washington	5%	5%	5%
Wicomico	5%	5%	5%
Worcester	3%	3%	3%

Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 2.2
Estimated Assessable Base Loss Due to Homestead Property Tax Credit
($ in Thousands)
Fiscal 2015

County	Total County Assessable Base	Loss Due to 10% Homestead Cap	After 10% Homestead Cap	Percent Lost	Loss Due to Actual Homestead Cap	After Actual Homestead Cap	Percent Lost
Allegany	$3,547,929	$2,710	$3,545,219	0.1%	$7,321	$3,540,608	0.2%
Anne Arundel	75,319,059	35,541	75,283,518	0.0%	8,564,128	66,754,931	11.4%
Baltimore City	33,877,108	270,216	33,606,892	0.8%	1,970,097	31,907,011	5.8%
Baltimore	75,084,608	16,510	75,068,098	0.0%	1,607,788	73,476,820	2.1%
Calvert	11,274,400	1,607	11,272,793	0.0%	1,607	11,272,793	0.0%
Caroline	2,499,663	1,873	2,497,790	0.1%	18,054	2,481,609	0.7%
Carroll	17,967,373	1,505	17,965,868	0.0%	21,240	17,946,133	0.1%
Cecil	9,252,797	1,009	9,251,788	0.0%	2,270	9,250,527	0.0%
Charles	15,465,732	1,176	15,464,556	0.0%	7,217	15,458,515	0.0%
Dorchester	2,782,627	2,579	2,780,048	0.1%	28,667	2,753,960	1.0%
Frederick	25,856,626	4,332	25,852,294	0.0%	43,155	25,813,471	0.2%
Garrett	4,260,262	3,246	4,257,016	0.1%	35,692	4,224,570	0.8%
Harford	25,695,399	1,716	25,693,683	0.0%	9,256	25,686,143	0.0%
Howard	43,875,445	6,591	43,868,854	0.0%	626,948	43,248,497	1.4%
Kent	2,909,297	7,422	2,901,875	0.3%	78,858	2,830,439	2.7%
Montgomery	165,097,133	115,441	164,981,692	0.1%	115,441	164,981,692	0.1%
Prince George's	73,896,653	11,829	73,884,824	0.0%	2,036,126	71,860,527	2.8%
Queen Anne's	7,582,753	4,211	7,578,542	0.1%	102,982	7,479,771	1.4%
St. Mary's	11,801,792	12,816	11,788,976	0.1%	195,110	11,606,682	1.7%
Somerset	1,357,895	1,142	1,356,753	0.1%	1,142	1,356,753	0.1%
Talbot	8,470,761	4,272	8,466,489	0.1%	1,418,924	7,051,837	16.8%
Washington	11,864,130	1,440	11,862,690	0.0%	19,132	11,844,998	0.2%
Wicomico	5,690,278	1,061	5,689,217	0.0%	2,632	5,687,646	0.0%
Worcester	14,527,882	4,479	14,523,403	0.0%	173,552	14,354,330	1.2%
Total	**$649,957,601**	**$514,724**	**$649,442,877**	**0.1%**	**$17,087,339**	**$632,870,262**	**2.6%**

Source: State Department of Assessments and Taxation

Exhibit 2.3

County Tax Relief Due to Homestead Tax Credits

County	Fiscal 2014 Revenue Foregone	Fiscal 2014 Percent of Base	Fiscal 2015 Revenue Foregone	Fiscal 2015 Percent of Base	Fiscal 2016 Revenue Foregone	Fiscal 2016 Percent of Base
Allegany	$161,014	0.5%	$71,673	0.2%	$49,939	0.1%
Anne Arundel	98,978,154	14.1%	80,759,727	11.4%	81,858,614	11.2%
Baltimore City	66,410,753	9.1%	44,287,781	5.8%	40,360,367	5.4%
Baltimore	34,694,924	4.2%	17,685,668	2.1%	13,363,834	1.6%
Calvert	47,847	0.0%	14,334	0.0%	7,359	0.0%
Caroline	352,998	1.5%	173,318	0.7%	115,632	0.5%
Carroll	631,567	0.3%	216,223	0.1%	184,319	0.1%
Cecil	49,684	0.1%	22,489	0.0%	15,544	0.0%
Charles	271,932	0.1%	86,965	0.0%	69,348	0.0%
Dorchester	535,892	1.9%	279,790	1.0%	184,523	0.7%
Frederick	899,399	0.3%	457,443	0.2%	524,329	0.2%
Garrett	858,647	1.9%	353,351	0.8%	254,499	0.6%
Harford	183,402	0.1%	96,448	0.0%	77,764	0.0%
Howard	13,391,213	2.6%	7,460,681	1.4%	5,714,249	1.1%
Kent	1,451,986	4.8%	805,929	2.7%	643,114	2.2%
Montgomery	1,194,693	0.1%	1,163,645	0.1%	834,846	0.0%
Prince George's	37,413,356	3.9%	26,856,502	2.8%	32,241,755	3.3%
Queen Anne's	1,748,381	2.7%	872,361	1.4%	476,079	0.7%
St. Mary's	3,445,174	3.4%	1,672,093	1.7%	1,111,400	1.1%
Somerset	34,642	0.3%	10,449	0.1%	8,144	0.1%
Talbot	8,834,964	19.6%	7,477,729	16.8%	6,924,885	15.8%
Washington	428,278	0.4%	181,371	0.2%	124,880	0.1%
Wicomico	42,940	0.1%	25,046	0.0%	46,343	0.1%
Worcester	2,295,516	2.1%	1,336,350	1.2%	1,169,068	1.1%
Statewide	**$274,357,357**	**3.7%**	**$192,367,366**	**2.6%**	**$186,360,834**	**2.5%**

Source: State Department of Assessments and Taxation

Exhibit 2.4
Number of Homestead Property Tax Credit Recipients
Fiscal 2015

County	Number of Recipients
Allegany	460
Anne Arundel	96,336
Baltimore City	54,934
Baltimore	60,806
Calvert	28
Caroline	670
Carroll	1,736
Cecil	95
Charles	437
Dorchester	697
Frederick	5,161
Garrett	1,607
Harford	611
Howard	23,512
Kent	1,352
Montgomery	4,439
Prince George's	92,369
Queen Anne's	1,983
St. Mary's	4,244
Somerset	56
Talbot	7,559
Washington	1,088
Wicomico	693
Worcester	4,475
Total	**365,348**

Note: Data as of December 4, 2014
Source: State Department of Assessments and Taxation

Chapter 3. Property Taxation in Baltimore City

Reliance on Local Property Taxes

The property tax is one of the three major revenue sources for county governments in Maryland, accounting for 26.7% of total revenues. The two other primary revenue sources include State aid and income taxes. In Baltimore City, the property tax accounts for 20.9% of total revenues, the second leading revenue source after State aid. In terms of local own-source revenues, the property tax is the largest revenue source for county governments, accounting for 41.4% of county own-source revenues statewide and 41.3% in Baltimore City. **Exhibit 3.1** compares the reliance on major local revenues sources in Baltimore City with the statewide average. Due to the considerable reliance on property taxes to fund public services, any action to alter either the local property tax rate or the assessable base will directly affect the city's financial situation and the ability to attract and retain city residents. With these concerns in mind, this chapter will explore the factors affecting local property tax collections in Baltimore City and how the city government compares with other counties in Maryland.

Property Tax Collections

Local governments are projected to receive approximately $7.3 billion in property tax revenue in fiscal 2015, with Baltimore City collecting $780.6 million. Property tax collections are affected by each jurisdiction's property tax base and tax rate. Jurisdictions with a larger assessable base can collect relatively more tax revenue than those with a smaller tax base. For example, a one-cent yield in the real property tax rate in Anne Arundel County generates approximately $6.7 million in revenues, whereas it generates only $3.2 million in Baltimore City, even though Baltimore City has a larger population. Compared to other counties in Maryland, Baltimore City has the third lowest property tax base in the State when measured on a per capita basis. In fact, the city's per capita assessable base is approximately one-half the statewide average. Only Allegany County in Western Maryland and Somerset County on the Eastern Shore have a lower per capita assessable base.

However, due to a significantly higher property tax rate, Baltimore City has been able to collect more property tax revenues on a per capita basis than most other counties in Maryland. In fiscal 2015, Baltimore City is projected to receive $1,255 in property tax revenues per city resident, which is 2.4% higher than the statewide average. In addition, only eight other counties are projected to receive a higher amount of property tax revenues as measured on a per capita basis. **Exhibit 3.2** compares Baltimore City with other jurisdictions in relation to its property tax rate, potential revenue yield from a one-cent increase in the property tax rate, and projected property tax collections per capita. **Exhibit 3.3** shows the projected property tax revenue trend for fiscal 2013 through 2015.

County Assessable Base

County assessable base in fiscal 2015 totaled $672.0 billion or $113,352 per State resident. Baltimore City's per capita assessable base was $57,700, the lowest of any county except Allegany and Somerset. Statewide, real property accounts for 96.7% of the assessable base and personal property accounts for 3.3%. In Baltimore City, personal property is a slightly larger portion of the assessable base at 5.6%, while real property accounts for 94.4%. **Exhibit 3.4** shows the per capita assessable base and assessable base growth for each jurisdiction for fiscal 2015. **Exhibit 3.5** shows the real, personal, and total county assessable base for each county for fiscal 2015 and the change in the assessable base compared to fiscal 2014. **Exhibit 3.6** shows the percentage change in total county assessable base (real and personal property) since fiscal 2005. This exhibit illustrates how Baltimore City's assessable base grew robustly in the late 2000s during the real estate boom but has declined more recently after the market declined. This pattern also occurred in other counties. **Exhibit 3.7** shows total county assessable base (real and personal property) since fiscal 2010. **Appendix 1** provides a profile on selected demographic and housing characteristics for Baltimore City.

Assessable Base Growth

County assessable base has trended primarily upward since the 1970s, with five primary patterns occurring over this period; strong assessment growth from fiscal 1970 to 1993; slower assessment growth from fiscal 1994 to 2003; strong assessment growth from fiscal 2004 to 2010; decreases in assessments from fiscal 2010 to 2014; and slow assessment growth beginning in fiscal 2015 (**Appendix 2**).

Trends in property assessments in Baltimore City have generally been similar to the statewide trends. However, property assessments in the city rose somewhat more slowly and fell somewhat less sharply than occurred statewide. This may be due in part to the effects of the city's relatively low homestead tax credit assessment cap of 4.0%, which slows assessment increases and mitigates the impact of market decreases. Property values increased rapidly in the mid-2000s, both statewide and in the city. Properties reassessed for 2005 realized an increase of 46.6% statewide; in the city, the increase was 21.6%. Reassessments for 2006 realized an increase of 60.2%; in the city the increase was 45.6%. However, the continual rapid increase in property assessments halted in 2009, as property valuation declined reflecting the national credit crisis and deteriorating economic conditions. Assessments statewide increased only 0.8% in 2009, but in the city they increased 20.9%. Statewide, properties reassessed for 2010 realized a decrease of 16.1%; for 2011 reassessments declined by 17.9%; and for 2012 reassessments declined by 13%. In the city, assessments during those same years declined more modestly, by 2.6%, 8.7%, and 6.8%, respectively.

This year, due to improvements in the national economy, property assessments began to increase. Properties reassessed for 2014 realized a net increase in value of 4.7% statewide. In the city, assessments increased 7.0%, which was higher than in most other counties, many of which saw assessment decreases. Under the State's triennial assessment process, the increase in the full cash value of property is phased in over a three-year period; however, any decrease in value is reflected immediately. **Exhibit 3.8** shows the average change in the full cash value of property reassessed during calendar 2013 for each jurisdiction. Property reassessments that occurred during calendar 2013 will affect the county's assessable base starting in fiscal 2015. **Exhibit 3.9** shows the full cash value assessment changes from January 2005 through January 2014.

Property Tax Rates

Baltimore City's real property tax rate has declined since fiscal 2005 from $2.328 per $100 of assessed value to $2.248 in fiscal 2015, or about 3.4%. The city's rate has been $2.248 since fiscal 2014. For fiscal 2015, three counties increased their real property tax rates and four counties decreased their rates. Real property tax rates range from $0.527 per $100 of assessed value in Talbot County to $2.248 in Baltimore City. **Exhibit 3.10** shows the real property tax rates for each county since fiscal 2005. These rates are based on property assessments at 100% of market valuation.

Factors Affecting Property Tax Rates in Baltimore City

There are several factors that contribute to Baltimore City's relatively high property tax rate. These factors include the size of the city's income tax base, which is affected by the number of jobs in the city held by nonresidents, the high demand for local government services in the city, and the size of the city's assessable base.

One key factor contributing to the city's high property tax rate is its relatively small income tax base. The city's inability to derive more revenue from the income tax requires it to rely more heavily on the property tax. The city currently imposes the maximum 3.2% local income tax rate allowed under State law. The city's median household income is the third lowest in the State. A more direct measure of the city's income tax base is net taxable income. In tax year 2013, the city's net taxable income was $8.4 billion. This compares with $15.7 billion in Anne Arundel County and $21.4 billion in Baltimore County. The city's lower net taxable income reflects the fact that while the city has many high paying jobs, many of the people who hold those jobs live in neighboring suburban counties rather than in the city. In calendar 2013, the average weekly wage for workers in Baltimore City was $1,117, which was actually higher than the statewide average of $1,040, and also higher than most other counties. But because many high earning workers in the city are commuters, the city's net taxable income remains relatively low.

In addition to a relatively low income tax base, there is a strong demand for government services in Baltimore City that necessitates raising tax revenue to support government operations. In fiscal 2013, the city's per capita expenditures were the second highest of any jurisdiction in the State at $5,862. The city's per capita spending on public works and public safety were the highest in the State, at $1,012 and $1,000, respectively. This relatively high city spending reflects the expense of maintaining extensive urban transportation and water and sewer systems as well as operating the police department in a city troubled by high crime rates.

Finally, as noted above, Baltimore City's per capita assessable base is relatively small compared to other jurisdictions, including the neighboring counties of Baltimore and Anne Arundel. This limited assessable base requires the city to tax property at a higher rate to raise needed revenue. The city's smaller assessable base is attributable in significant part to the large amount of city property that is tax exempt. Tax-exempt property includes churches, government property, institutions of higher education, museums, and nonprofit properties, including hospitals, all of which have a large presence in the city. In fiscal 2014, the city's taxable real assessable base was approximately $33.6 billion. The value of exempt property in the city was approximately $15.5 billion, or 31.6% of the total property base. The city has the highest percentage of exempt property of any jurisdiction in the State. In neighboring Anne Arundel County, which has a population 11% smaller than the city, the assessable base was approximately $73.3 billion in fiscal 2014, with exempt property valued at approximately $6.3 billion, or 7.9%. Baltimore County, which has a population 32% larger than the city, had an assessable base of approximately $75.2 billion in fiscal 2014, with exempt property valued at approximately $7.4 billion, or 9.0%.

Exhibit 3.11 shows the value of tax-exempt property on a per capita basis for each jurisdiction in the State and the percentage of the property base that is tax exempt in each jurisdiction. Baltimore City ranks highest in the State on both measures.

Baltimore City Initiatives to Reduce City Property Taxes

To provide property tax relief to homeowners and attract new city residents, Baltimore City adopted the targeted homeowners tax credit (THTC) in 2012. The goal of the program is to reduce the effective tax rate for owner-occupied dwellings by 20 cents by the year 2020. Homeowners who have an approved application for the homestead property tax credit on file with the State Department of Assessments and Taxation automatically receive the THTC. Consequently, only properties that the owner occupies for more than six months a year qualify for the credit. To receive the THTC in any given year, a property owner only has to be eligible to receive the homestead credit; the owner does not have to be actually benefitting from the homestead credit that year.

The THTC is calculated by multiplying the credit rate by the assessed value of the improved portion of the property so as to reward homeowners who have invested in their properties. The credit rate is set annually by the city's Board of Estimates, and is based on the amount of funding available for the credit. The credit is currently funded through various spending reductions; it is planned that 90% of the city's revenue from the new downtown casino as well as reductions in city spending will fund the program in the future. The total cost of this tax credit program is estimated to be $38 million by 2020.

There are currently 116,159 homeowners receiving the THTC. The average amount of the credit is currently $174. For the average Baltimore City home valued at $150,000, the estimated tax savings by 2020 is $300.

Beginning in 2015, Baltimore City will begin providing resident retention tax credits to Baltimore City homeowners who purchase a new home in the city. Under current State law, homeowners lose their homestead tax credit when and if they move to a new home. The new Baltimore City tax credit is intended to help residents remain in the city by allowing them to limit any assessment increase associated with the new home. The tax credit is a five-year tax credit valued at $1,000 in the first year and decreasing to $600 in the fifth year. The city is planning to budget $3.0 million in 2015 for the tax credit program.

Exhibit 3.1
County Revenues by Source
Fiscal 2013

County	Property Taxes	Income Taxes	Other Taxes	Service Charges	Federal Grants	State Aid	Other
Allegany	16.4%	9.6%	1.7%	9.7%	11.6%	45.5%	5.6%
Anne Arundel	29.0%	19.0%	6.0%	14.0%	4.7%	23.8%	3.5%
Baltimore City	20.9%	7.6%	5.2%	13.4%	11.8%	36.6%	4.6%
Baltimore	28.0%	20.4%	4.2%	10.4%	8.5%	25.8%	2.7%
Calvert	36.0%	16.3%	2.5%	8.2%	4.1%	30.3%	2.7%
Caroline	20.5%	9.4%	1.7%	4.1%	9.1%	51.3%	3.8%
Carroll	31.8%	20.5%	2.5%	5.3%	5.6%	31.6%	2.8%
Cecil	29.3%	14.2%	1.9%	6.4%	7.1%	38.1%	3.0%
Charles	29.0%	14.3%	3.2%	12.0%	6.5%	31.5%	3.5%
Dorchester	27.3%	8.5%	2.4%	5.9%	10.3%	41.9%	3.8%
Frederick	26.4%	17.9%	2.8%	14.8%	4.7%	30.6%	2.7%
Garrett	37.2%	8.0%	5.1%	8.6%	10.1%	26.1%	4.8%
Harford	29.1%	18.5%	2.4%	6.3%	6.6%	29.9%	7.2%
Howard	31.6%	22.5%	5.6%	8.4%	4.9%	22.1%	4.7%
Kent	41.4%	15.2%	2.3%	4.6%	10.0%	24.2%	2.3%
Montgomery	26.3%	23.1%	9.3%	13.7%	6.0%	17.6%	3.9%
Prince George's	25.0%	12.7%	6.0%	12.9%	7.7%	31.3%	4.5%
Queen Anne's	33.0%	19.8%	3.3%	7.6%	8.2%	23.3%	4.7%
St. Mary's	25.5%	19.4%	3.7%	10.1%	6.2%	31.9%	3.2%
Somerset	19.6%	8.1%	0.7%	7.4%	11.6%	49.8%	2.8%
Talbot	28.6%	20.2%	8.5%	9.2%	8.0%	20.7%	4.7%
Washington	23.9%	12.8%	1.9%	8.1%	7.7%	42.2%	3.4%
Wicomico	18.0%	12.1%	1.4%	9.9%	9.8%	45.7%	3.1%
Worcester	49.3%	5.1%	10.2%	11.9%	6.3%	15.4%	1.8%
Statewide	**26.7%**	**17.0%**	**5.6%**	**11.7%**	**7.3%**	**27.7%**	**3.9%**

Source: Department of Legislative Services

Exhibit 3.2
Property Tax Rate and Revenue Comparison
Fiscal 2015

County	One-cent Yield	Rank	Per Capita One-cent Yield	Rank	Property Tax Rate	Rank	Per Capita Property Taxes	Rank
Allegany	$354,000	20	4.81	24	$0.9790	13	$561	23
Anne Arundel	6,675,000	4	12.01	9	0.9430	18	1,190	10
Baltimore City	3,191,000	6	5.13	23	**2.2480**	1	1,255	9
Baltimore	7,348,000	2	8.93	16	1.1000	5	1,053	15
Calvert	1,127,000	14	12.46	8	0.8920	20	1,542	3
Caroline	248,000	23	7.59	20	0.9600	15	749	21
Carroll	1,795,000	9	10.71	10	1.0180	9	1,147	11
Cecil	925,000	15	9.08	15	0.9907	11	1,010	16
Charles	1,546,000	10	10.11	14	1.2050	3	1,400	7
Dorchester	275,000	22	8.42	17	0.9760	14	919	18
Frederick	2,581,000	7	10.69	11	1.0600	6	1,110	13
Garrett	422,000	19	14.12	7	0.9900	12	1,515	5
Harford	2,569,000	8	10.31	13	1.0420	7	1,144	12
Howard	4,325,000	5	14.20	5	1.1900	4	1,821	2
Kent	283,000	21	14.19	6	1.0220	8	1,507	6
Montgomery	16,498,000	1	16.23	3	1.0080	10	1,524	4
Prince George's	7,186,000	3	8.07	18	1.3190	2	1,089	14
Queen Anne's	748,000	16	15.42	4	0.8471	22	1,292	8
St. Mary's	1,161,000	13	10.59	12	0.8570	21	942	17
Somerset	136,000	24	5.18	22	0.9150	19	524	24
Talbot	705,000	17	18.59	2	0.5270	24	901	19
Washington	1,184,000	12	7.92	19	0.9480	17	788	20
Wicomico	569,000	18	5.64	21	0.9516	16	621	22
Worcester	1,435,000	11	27.80	1	0.7700	23	2,285	1
Statewide							**$1,226**	

Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 3.3
Property Tax Revenue Trend for Fiscal 2013-2015

County	FY 2013	FY 2014	FY 2015	FY 2013-2014 $ Difference	FY 2014-2015 $ Difference	Average Annual Difference
Allegany	$40,302,290	$43,924,995	$41,239,460	$3,622,705	-$2,685,535	1.2%
Anne Arundel	621,955,030	641,277,200	661,259,500	19,322,170	19,982,300	3.1%
Baltimore City	759,221,334	755,756,001	780,587,000	-3,465,333	24,830,999	1.4%
Baltimore	853,859,722	853,891,460	866,857,555	31,738	12,966,095	0.8%
Calvert	141,281,902	138,400,000	139,549,219	-2,881,902	1,149,219	-0.6%
Caroline	24,106,972	24,572,670	24,502,110	465,698	-70,560	0.8%
Carroll	198,426,541	196,094,923	192,258,630	-2,331,618	-3,836,293	-1.6%
Cecil	104,235,995	103,472,770	102,903,420	-763,225	-569,350	-0.6%
Charles	200,012,954	211,618,749	213,987,400	11,605,795	2,368,651	3.4%
Dorchester	31,930,405	30,078,941	30,027,714	-1,851,464	-51,227	-3.0%
Frederick	261,007,403	262,339,935	267,861,882	1,332,532	5,521,947	1.3%
Garrett	49,609,030	48,466,651	45,271,941	-1,142,379	-3,194,710	-4.5%
Harford	287,888,796	284,936,004	285,102,318	-2,952,792	166,314	-0.5%
Howard	525,266,975	540,722,652	554,720,518	15,455,677	13,997,866	2.8%
Kent	30,174,622	30,212,616	30,051,655	37,994	-160,961	-0.2%
Montgomery	1,486,018,769	1,517,637,972	1,549,881,856	31,619,203	32,243,884	2.1%
Prince George’s	962,314,406	951,140,700	969,654,300	-11,173,706	18,513,600	0.4%
Queen Anne’s	64,057,050	64,847,473	62,676,436	790,423	-2,171,037	-1.1%
St. Mary’s	100,809,676	103,137,047	103,319,238	2,327,371	182,191	1.2%
Somerset	14,822,293	14,946,799	13,762,549	124,506	-1,184,250	-3.6%
Talbot	32,741,855	33,660,872	34,177,500	919,017	516,628	2.2%
Washington	122,470,175	121,449,621	117,938,190	-1,020,554	-3,511,431	-1.9%
Wicomico	60,969,775	61,053,654	62,651,923	83,879	1,598,269	1.4%
Worcester	121,570,804	117,311,192	117,933,052	-4,259,612	621,860	-1.5%
Total	**$7,095,054,774**	**$7,150,950,897**	**$7,268,175,366**	**$55,896,123**	**$117,224,469**	**1.2%**

Note: Property tax revenues for Charles, Frederick, and Howard counties include special fire district taxes. Property tax revenues for Montgomery County include special fire, mass transit, and recreation district taxes.
Source: Department of Legislatives Services; County Budgets

Exhibit 3.4
County Assessable Base Measures – Fiscal 2015

County	Population July 1, 2013	Assessable Base ($ in Thousands)	Per Capita Assessable Base	Assessable Base Growth
Allegany	73,521	$3,889,963	$52,910	-0.5%
Anne Arundel	555,743	77,806,973	140,005	1.8%
Baltimore City	622,104	35,895,146	57,700	3.8%
Baltimore	823,015	78,005,881	94,781	-0.6%
Calvert	90,484	12,232,236	135,187	-0.4%
Caroline	32,693	2,612,656	79,915	-1.4%
Carroll	167,564	18,484,249	110,312	-0.6%
Cecil	101,913	9,668,778	94,873	0.1%
Charles	152,864	16,323,388	106,784	-0.4%
Dorchester	32,660	2,891,447	88,532	-3.0%
Frederick	241,409	26,158,043	108,356	1.6%
Garrett	29,889	4,461,940	149,284	-7.5%
Harford	249,215	26,756,070	107,361	0.6%
Howard	304,580	45,370,329	148,960	2.5%
Kent	19,944	2,950,128	147,921	-2.1%
Montgomery	1,016,677	168,852,446	166,083	2.5%
Prince George’s	890,081	76,630,154	86,093	0.6%
Queen Anne’s	48,517	7,653,576	157,750	-0.6%
St. Mary’s	109,633	12,097,535	110,346	0.3%
Somerset	26,273	1,430,802	54,459	-3.5%
Talbot	37,931	8,532,943	224,960	-3.5%
Washington	149,588	12,397,772	82,879	-0.2%
Wicomico	100,896	6,084,640	60,306	-3.6%
Worcester	51,620	14,856,691	287,809	0.1%
Statewide	**5,928,814**	**$672,043,785**	**$113,352**	**1.1%**

	County	Per Capita Assessable Base
1.	Worcester	$287,809
2.	Talbot	224,960
3.	Montgomery	166,083
4.	Queen Anne’s	157,750
5.	Garrett	149,284
6.	Howard	148,960
7.	Kent	147,921
8.	Anne Arundel	140,005
9.	Calvert	135,187
10.	St. Mary’s	110,346
11.	Carroll	110,312
12.	Frederick	108,356
13.	Harford	107,361
14.	Charles	106,784
15.	Cecil	94,873
16.	Baltimore	94,781
17.	Dorchester	88,532
18.	Prince George’s	86,093
19.	Washington	82,879
20.	Caroline	79,915
21.	Wicomico	60,306
22.	Baltimore City	57,700
23.	Somerset	54,459
24.	Allegany	52,910

	County	Assessable Base Growth
1.	Baltimore City	3.8%
2.	Montgomery	2.5%
3.	Howard	2.5%
4.	Anne Arundel	1.8%
5.	Frederick	1.6%
6.	Prince George’s	0.6%
7.	Harford	0.6%
8.	St. Mary’s	0.3%
9.	Worcester	0.1%
10.	Cecil	0.1%
11.	Washington	-0.2%
12.	Charles	-0.4%
13.	Calvert	-0.4%
14.	Allegany	-0.5%
15.	Carroll	-0.6%
16.	Queen Anne’s	-0.6%
17.	Baltimore	-0.6%
18.	Caroline	-1.4%
19.	Kent	-2.1%
20.	Dorchester	-3.0%
21.	Somerset	-3.5%
22.	Talbot	-3.5%
23.	Wicomico	-3.6%
24.	Garrett	-7.5%

Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 3.5

County Assessable Base for Fiscal 2015 and Percent Change from Fiscal 2014

($ in Thousands)

County	Subject to Real Property	Percent Change	Subject to Personal Property	Percent Change	Total Property	Percent Change
Allegany	$3,547,929	-0.9%	$342,034	3.2%	$3,889,963	-0.5%
Anne Arundel	75,319,059	2.0%	2,487,914	-2.1%	77,806,973	1.8%
Baltimore City	33,877,108	4.1%	2,018,038	-0.8%	35,895,146	3.8%
Baltimore	75,084,608	-0.5%	2,921,273	-2.9%	78,005,881	-0.6%
Calvert	11,274,400	-0.5%	957,836	1.5%	12,232,236	-0.4%
Caroline	2,499,663	-2.0%	112,993	12.3%	2,612,656	-1.4%
Carroll	17,967,373	-0.2%	516,876	-12.3%	18,484,249	-0.6%
Cecil	9,252,797	-0.3%	415,981	10.4%	9,668,778	0.1%
Charles	15,465,732	0.3%	857,656	-11.5%	16,323,388	-0.4%
Dorchester	2,782,627	-2.8%	108,820	-9.5%	2,891,447	-3.0%
Frederick	25,856,626	1.7%	301,417	0.2%	26,158,043	1.6%
Garrett	4,260,262	-7.8%	201,678	0.3%	4,461,940	-7.5%
Harford	25,695,399	0.5%	1,060,671	2.4%	26,756,070	0.6%
Howard	43,875,445	2.6%	1,494,884	-2.0%	45,370,329	2.5%
Kent	2,909,297	-2.3%	40,831	11.6%	2,950,128	-2.1%
Montgomery	165,097,133	2.5%	3,755,313	1.8%	168,852,446	2.5%
Prince George's	73,896,653	1.1%	2,733,501	-10.8%	76,630,154	0.6%
Queen Anne's	7,582,753	-0.7%	70,823	13.7%	7,653,576	-0.6%
St. Mary's	11,801,792	0.0%	295,743	16.3%	12,097,535	0.3%
Somerset	1,357,895	-4.2%	72,907	11.3%	1,430,802	-3.5%
Talbot	8,470,761	-3.6%	62,182	8.3%	8,532,943	-3.5%
Washington	11,864,130	-0.4%	533,642	3.8%	12,397,772	-0.2%
Wicomico	5,690,278	-2.4%	394,362	-17.5%	6,084,640	-3.6%
Worcester	14,527,882	0.0%	328,809	5.3%	14,856,691	0.1%
Statewide	**$649,957,601**	**1.2%**	**$22,086,184**	**-2.3%**	**$672,043,785**	**1.1%**

Source: State Department of Assessments and Taxation

Exhibit 3.6
Growth in County Assessable Base – Real and Personal Property
Fiscal 2005-2017

County	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 E	FY 2017 E
Allegany	3.3%	4.3%	4.2%	9.3%	6.7%	11.9%	5.1%	0.1%	-1.3%	-1.3%	-0.5%	-0.7%	-0.3%
Anne Arundel	11.5%	14.2%	15.7%	18.0%	14.2%	6.0%	-2.1%	-6.4%	-4.1%	0.1%	1.8%	3.0%	2.9%
Baltimore City	6.8%	7.7%	8.6%	14.9%	15.6%	13.8%	2.5%	-4.2%	-6.4%	-1.5%	3.8%	-0.9%	0.0%
Baltimore	5.5%	9.9%	12.4%	15.7%	13.3%	8.9%	0.5%	-5.7%	-4.2%	-2.8%	-0.6%	1.6%	2.1%
Calvert	9.9%	12.2%	15.9%	19.8%	10.7%	8.0%	1.9%	-6.2%	-5.8%	-2.2%	-0.4%	0.4%	0.1%
Caroline	9.3%	12.6%	16.9%	18.1%	16.4%	11.5%	-0.5%	-7.3%	-4.7%	-5.7%	-1.4%	-1.6%	-1.5%
Carroll	8.7%	13.0%	15.0%	16.1%	13.3%	8.7%	-5.3%	-5.9%	-4.2%	-1.4%	-0.6%	1.0%	3.0%
Cecil	10.9%	11.4%	14.2%	16.1%	13.7%	6.8%	-1.1%	-4.6%	-5.6%	-3.1%	0.1%	1.0%	0.4%
Charles	8.2%	12.2%	17.7%	20.4%	16.0%	7.0%	-5.5%	-6.8%	-4.7%	-1.9%	-0.4%	0.6%	2.9%
Dorchester	6.7%	11.1%	11.5%	17.8%	14.4%	9.1%	0.5%	-8.9%	-3.4%	-4.4%	-3.0%	-0.8%	-0.4%
Frederick	9.4%	16.0%	17.5%	19.2%	13.4%	6.1%	-6.9%	-8.8%	-4.6%	-0.6%	1.6%	2.3%	0.6%
Garrett	8.5%	14.3%	17.3%	14.6%	12.7%	7.7%	6.1%	0.0%	-2.9%	-0.3%	-7.5%	-0.7%	0.3%
Harford	8.1%	11.2%	14.9%	15.3%	13.9%	8.8%	0.4%	-3.9%	-2.4%	-0.8%	0.6%	0.2%	0.6%
Howard	11.2%	14.2%	17.4%	16.1%	13.3%	5.0%	-4.0%	-6.4%	-2.2%	0.6%	2.5%	2.7%	1.8%
Kent	8.7%	13.0%	14.2%	16.3%	15.0%	10.3%	2.0%	-3.9%	-3.1%	-1.5%	-2.1%	-0.2%	1.1%
Montgomery	11.8%	16.2%	17.8%	15.5%	11.0%	0.4%	-4.5%	-6.4%	-2.7%	0.9%	2.5%	3.9%	3.9%
Prince George’s	7.2%	11.1%	15.1%	18.7%	19.0%	11.6%	0.2%	-13.1%	-7.9%	-3.9%	0.6%	1.1%	0.9%
Queen Anne’s	13.3%	14.3%	18.2%	19.2%	14.4%	7.5%	-3.3%	-2.3%	-6.0%	-4.1%	-0.6%	-0.3%	0.1%
St. Mary’s	6.5%	10.7%	19.6%	19.1%	18.4%	11.0%	2.4%	-4.7%	-3.0%	-1.1%	0.3%	0.1%	0.1%
Somerset	5.9%	13.3%	23.0%	18.5%	16.7%	7.7%	0.7%	-4.7%	-12.1%	0.0%	-3.5%	0.6%	1.0%
Talbot	13.6%	14.6%	14.7%	17.5%	15.5%	10.8%	-0.1%	-4.0%	-4.2%	-5.1%	-3.5%	-2.0%	0.0%
Washington	3.2%	11.6%	14.4%	18.1%	15.3%	8.1%	-4.4%	-6.7%	-3.3%	-3.1%	-0.2%	-0.4%	0.8%
Wicomico	5.9%	9.1%	12.2%	13.7%	12.9%	7.8%	-1.0%	-7.5%	-6.3%	-5.4%	-3.6%	0.5%	2.3%
Worcester	19.2%	17.6%	23.0%	19.7%	17.8%	-5.5%	-5.8%	-3.6%	-10.0%	-5.9%	0.1%	-0.5%	1.9%
Statewide	**9.4%**	**13.1%**	**15.7%**	**16.8%**	**13.9%**	**6.1%**	**-2.1%**	**-6.8%**	**-4.4%**	**-1.3%**	**1.1%**	**1.9%**	**2.1%**

Source: State Department of Assessments and Taxation

Exhibit 3.7
County Assessable Base – Real and Personal Property
($ in Thousands)

County	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 E	FY 2017 E
Allegany	$3,816,560	$4,010,110	$4,014,571	$3,962,462	$3,910,750	$3,889,963	$3,861,939	$3,851,952
Anne Arundel	86,849,623	84,987,819	79,589,954	76,293,860	76,405,438	77,806,973	80,143,440	82,490,588
Baltimore City	38,190,377	39,149,240	37,515,837	35,123,385	34,582,451	35,895,146	35,578,425	35,584,800
Baltimore	88,989,970	89,397,035	84,302,273	80,753,433	78,477,913	78,005,881	79,237,782	80,862,172
Calvert	13,951,302	14,209,661	13,333,624	12,553,694	12,277,912	12,232,236	12,275,056	12,289,009
Caroline	3,199,323	3,182,687	2,949,842	2,810,316	2,651,005	2,612,656	2,571,867	2,534,024
Carroll	22,093,994	20,915,009	19,678,687	18,861,958	18,588,705	18,484,249	18,664,970	19,228,654
Cecil	11,184,512	11,067,074	10,558,891	9,967,470	9,657,230	9,668,778	9,761,437	9,799,637
Charles	19,882,783	18,794,704	17,521,348	16,693,575	16,383,332	16,323,388	16,414,518	16,897,981
Dorchester	3,527,710	3,544,326	3,229,486	3,119,674	2,981,840	2,891,447	2,868,566	2,856,305
Frederick	31,969,352	29,761,665	27,154,307	25,893,046	25,734,580	26,158,043	26,769,748	26,943,271
Garrett	4,689,794	4,975,949	4,978,214	4,834,793	4,822,283	4,461,940	4,431,623	4,444,572
Harford	28,453,136	28,580,599	27,471,469	26,819,052	26,605,582	26,756,070	26,814,443	26,964,344
Howard	50,049,686	48,043,284	44,986,079	44,000,081	44,280,928	45,370,329	46,614,907	47,456,812
Kent	3,219,073	3,282,266	3,154,783	3,058,279	3,013,117	2,950,128	2,944,705	2,977,892
Montgomery	187,664,567	179,221,107	167,750,575	163,276,868	164,696,351	168,852,446	175,520,142	182,450,974
Prince George's	98,867,718	99,039,894	86,036,875	79,257,050	76,137,876	76,630,154	77,470,145	78,163,029
Queen Anne's	9,050,949	8,749,244	8,543,876	8,031,355	7,699,153	7,653,576	7,630,920	7,642,100
St. Mary's	12,875,262	13,182,756	12,567,335	12,191,008	12,060,567	12,097,535	12,113,917	12,126,566
Somerset	1,757,563	1,769,205	1,686,855	1,483,073	1,483,405	1,430,802	1,438,936	1,453,720
Talbot	10,142,501	10,134,945	9,730,598	9,322,352	8,846,903	8,532,943	8,363,444	8,362,258
Washington	14,877,217	14,221,239	13,266,687	12,823,001	12,420,699	12,397,772	12,348,282	12,452,541
Wicomico	7,774,844	7,695,967	7,116,997	6,668,152	6,310,794	6,084,640	6,113,032	6,256,311
Worcester	19,292,626	18,180,328	17,531,447	15,773,058	14,838,405	14,856,691	14,786,009	15,063,140
Statewide	**$772,370,442**	**$756,096,113**	**$704,670,610**	**$673,570,993**	**$664,867,219**	**$672,043,785**	**$684,738,253**	**$699,152,652**

Source: State Department of Assessments and Taxation

Exhibit 3.8
Full Cash Value Change in Group 2
January 1, 2011 Base Compared to January 1, 2014 Reassessments

County	Average for All Properties	Commercial Properties	Residential Properties	County Assessment Cap
Allegany	-2.8%	-0.8%	-3.3%	7%
Anne Arundel	9.9%	23.0%	2.8%	2%
Baltimore City	**7.0%**	**10.3%**	**4.4%**	**4%**
Baltimore	1.2%	12.2%	-2.9%	4%
Calvert	-2.9%	2.5%	-3.3%	10%
Caroline	-3.6%	3.0%	-4.8%	5%
Carroll	-3.0%	5.8%	-3.7%	5%
Cecil	-2.3%	-1.6%	-2.5%	8%
Charles	-4.2%	4.9%	-4.9%	7%
Dorchester	-7.9%	-11.8%	-6.3%	5%
Frederick	4.0%	7.9%	3.2%	5%
Garrett	-14.0%	-2.4%	-14.9%	5%
Harford	1.6%	12.9%	-0.5%	5%
Howard	8.1%	17.6%	5.7%	5%
Kent	-5.5%	2.4%	-5.7%	5%
Montgomery	11.0%	31.4%	5.8%	10%
Prince George’s	5.3%	8.9%	4.2%	2%
Queen Anne’s	-10.3%	-10.5%	-10.3%	5%
St. Mary’s	-2.2%	-1.1%	-2.4%	5%
Somerset	-13.3%	-13.1%	-13.3%	10%
Talbot	-11.4%	-0.1%	-12.0%	0%
Washington	-3.0%	2.7%	-5.6%	5%
Wicomico	-6.2%	-4.2%	-7.0%	5%
Worcester	-7.8%	-1.6%	-9.3%	3%
Statewide	**4.7%**	**16.3%**	**1.3%**	

Source: State Department of Assessments and Taxation

Exhibit 3.9

Triennial Change in Full Cash Value

January 2005-January 2014

County	2005 Group 2	2006 Group 3	2007 Group 1	2008 Group 2	2009 Group 3	2010 Group 1	2011 Group 2	2012 Group 3	2013 Group 1	2014 Group 2
Allegany	10.6%	21.4%	43.3%	34.5%	16.8%	0.4%	-4.5%	-5.3%	-2.4%	-2.8%
Anne Arundel	47.6%	65.9%	55.4%	34.9%	-0.3%	-17.9%	-16.6%	-12.6%	-1.9%	9.9%
Baltimore City	**21.6%**	**45.6%**	**58.5%**	**75.0%**	**20.9%**	**-2.6%**	**-8.7%**	**-6.8%**	**-3.1%**	**7.0%**
Baltimore	38.1%	53.4%	64.8%	32.6%	13.3%	-13.2%	-13.6%	-14.5%	-8.1%	1.2%
Calvert	50.4%	71.7%	69.7%	38.3%	3.1%	-15.1%	-20.7%	-16.1%	-11.4%	-2.9%
Caroline	38.9%	49.7%	73.6%	40.6%	13.4%	-15.6%	-18.8%	-18.9%	-15.7%	-3.6%
Carroll	42.2%	54.0%	56.9%	37.4%	5.1%	-19.2%	-19.6%	-15.4%	-3.8%	-3.0%
Cecil	33.1%	56.7%	54.0%	33.3%	2.5%	-11.0%	-20.0%	-15.4%	-10.4%	-2.3%
Charles	47.2%	70.2%	62.6%	41.4%	-4.6%	-19.8%	-26.6%	-15.2%	-6.8%	-4.2%
Dorchester	32.5%	60.8%	58.5%	34.5%	6.8%	-9.9%	-21.4%	-10.8%	-11.7%	-7.9%
Frederick	56.0%	60.9%	52.2%	27.4%	-4.7%	-22.0%	-24.1%	-18.8%	-2.2%	4.0%
Garrett	39.2%	47.6%	38.3%	29.0%	8.5%	0.0%	-2.4%	-14.7%	-3.6%	-14.0%
Harford	37.6%	48.2%	55.5%	38.6%	9.0%	-14.3%	-15.3%	-5.8%	-6.5%	1.6%
Howard	48.5%	58.7%	50.3%	24.2%	-2.3%	-19.8%	-18.8%	-8.7%	2.5%	8.1%
Kent	46.5%	36.8%	65.2%	37.3%	13.5%	-10.3%	-12.5%	-9.0%	-6.0%	-5.5%
Montgomery	65.0%	63.3%	43.4%	16.2%	-10.6%	-17.0%	-14.5%	-8.6%	4.1%	11.0%
Prince George’s	40.1%	60.6%	79.5%	51.6%	14.6%	-18.4%	-28.7%	-24.8%	-10.6%	5.3%
Queen Anne’s	48.3%	58.7%	50.1%	36.8%	7.2%	-12.4%	-18.6%	-13.7%	-9.0%	-10.3%
St. Mary’s	37.2%	57.2%	84.3%	49.0%	8.2%	-15.5%	-16.0%	-9.6%	-7.9%	-2.2%
Somerset	49.5%	65.0%	79.6%	45.5%	4.4%	-10.6%	-18.5%	-20.6%	-11.5%	-13.3%
Talbot	47.9%	53.5%	54.8%	42.7%	13.6%	-9.0%	-15.0%	-15.3%	-11.5%	-11.4%
Washington	32.4%	58.6%	64.7%	40.2%	3.0%	-18.4%	-18.3%	-9.0%	-6.9%	-3.0%
Wicomico	21.3%	40.2%	53.2%	40.6%	5.1%	-15.6%	-20.1%	-20.2%	-17.4%	-6.2%
Worcester	26.7%	78.9%	54.1%	33.3%	-12.7%	-20.0%	-14.9%	-17.4%	-14.3%	-7.8%
Statewide	**46.6%**	**60.2%**	**56.1%**	**33.2%**	**0.8%**	**-16.1%**	**-17.9%**	**-13.0%**	**-3.6%**	**4.7%**

Source: State Department of Assessments and Taxation

Exhibit 3.10

County Real Property Tax Rates in Fiscal 2005-2015

(per $100 of assessed value)

County	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Allegany	$1.001	$1.001	$0.983	$0.983	$0.983	$0.983	$0.983	$0.982	$0.981	$0.980	$0.979
Anne Arundel	0.941	0.931	0.918	0.891	0.888	0.876	0.880	0.910	0.941	0.950	0.943
Baltimore City	2.328	2.308	2.288	2.268	2.268	2.268	2.268	2.268	2.268	2.248	2.248
Baltimore	1.115	1.115	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100
Calvert	0.892	0.892	0.892	0.892	0.892	0.892	0.892	0.892	0.892	0.892	0.892
Caroline	0.952	0.910	0.870	0.870	0.870	0.870	0.870	0.870	0.890	0.940	0.960
Carroll	1.048	1.048	1.048	1.048	1.048	1.048	1.048	1.028	1.018	1.018	1.018
Cecil	0.980	0.980	0.960	0.960	0.960	0.940	0.915	0.940	0.991	0.991	0.991
Charles	1.026	1.026	1.026	1.026	1.026	1.026	1.026	1.067	1.121	1.205	1.205
Dorchester	0.930	0.920	0.896	0.896	0.896	0.896	0.896	0.976	0.976	0.976	0.976
Frederick	1.135	1.135	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.064	1.060
Garrett	1.036	1.000	1.000	1.000	1.000	0.990	0.990	0.990	0.990	0.990	0.990
Harford	1.092	1.082	1.082	1.082	1.082	1.064	1.042	1.042	1.042	1.042	1.042
Howard	1.170	1.170	1.140	1.150	1.150	1.150	1.150	1.150	1.190	1.190	1.190
Kent	1.012	0.992	0.972	0.972	0.972	0.972	1.022	1.022	1.022	1.022	1.022
Montgomery	1.009	0.967	0.916	0.916	0.915	0.916	0.915	0.959	1.003	1.021	1.008
Prince George's	1.319	1.319	1.319	1.319	1.319	1.319	1.319	1.319	1.319	1.319	1.319
Queen Anne's	0.926	0.870	0.800	0.770	0.770	0.770	0.767	0.847	0.847	0.847	0.847
St. Mary's	0.878	0.872	0.857	0.857	0.857	0.857	0.857	0.857	0.857	0.857	0.857
Somerset	1.010	0.990	0.940	0.940	0.920	0.900	0.884	0.884	0.884	0.915	0.915
Talbot	0.540	0.520	0.500	0.475	0.449	0.432	0.432	0.448	0.491	0.512	0.527
Washington	0.948	0.948	0.948	0.948	0.948	0.948	0.948	0.948	0.948	0.948	0.948
Wicomico	1.025	0.993	0.942	0.881	0.814	0.759	0.759	0.769	0.840	0.909	0.952
Worcester	0.730	0.730	0.700	0.700	0.700	0.700	0.700	0.700	0.770	0.770	0.770

Note: The rate in Charles, Frederick, Howard, Montgomery, and Prince George's counties reflect special rates for services not funded from the general county property tax rate.

Source: Department of Legislative Services

Exhibit 3.11
Comparison of Tax-exempt Real Property in Fiscal 2014
Per Capita Basis and Percent of Total Property Base

County	Real Property Assessable Base ($ in Millions)	Tax-exempt Property ($ in Millions)	Total Property Base ($ in Millions)	Percent Tax Exempt
Allegany	$3,587	$1,322	$4,908	26.9%
Anne Arundel	73,251	6,265	79,516	7.9%
Baltimore City	33,619	15,535	49,154	31.6%
Baltimore	75,160	7,436	82,596	9.0%
Calvert	11,247	952	12,199	7.8%
Caroline	2,540	306	2,847	10.8%
Carroll	17,967	1,947	19,914	9.8%
Cecil	9,278	856	10,133	8.4%
Charles	15,333	2,078	17,412	11.9%
Dorchester	2,879	433	3,313	13.1%
Frederick	25,156	2,587	27,744	9.3%
Garrett	4,618	476	5,095	9.3%
Harford	24,547	2,537	27,084	9.4%
Howard	42,505	2,868	45,374	6.3%
Kent	2,817	295	3,112	9.5%
Montgomery	161,084	17,819	178,903	10.0%
Prince George's	72,751	8,873	81,625	10.9%
Queen Anne's	7,646	692	8,338	8.3%
St. Mary's	11,712	2,067	13,780	15.0%
Somerset	1,365	401	1,767	22.7%
Talbot	8,808	469	9,277	5.1%
Washington	11,857	1,847	13,704	13.5%
Wicomico	5,811	1,232	7,043	17.5%
Worcester	14,805	678	15,483	4.4%
Total	**$640,345**	**$79,973**	**$720,318**	**11.1%**

	Tax-exempt Property Per Capita Basis	
1.	Baltimore City	$25,002
2.	St. Mary's	18,968
3.	Allegany	17,859
4.	Montgomery	17,735
5.	Garrett	15,949
6.	Somerset	15,289
7.	Kent	14,615
8.	Queen Anne's	14,246
9.	Charles	13,802
10.	Dorchester	13,316
11.	Worcester	13,144
12.	Washington	12,379
13.	Talbot	12,297
14.	Wicomico	12,241
15.	Carroll	11,641
16.	Anne Arundel	11,381
17.	Frederick	10,799
18.	Calvert	10,626
19.	Harford	10,204
20.	Prince George's	10,070
21.	Howard	9,580
22.	Caroline	9,366
23.	Baltimore	9,096
24.	Cecil	8,414
	Statewide	**$13,590**

	Tax-exempt Property Percent of Total Base	
1.	Baltimore City	31.6%
2.	Allegany	26.9%
3.	Somerset	22.7%
4.	Wicomico	17.5%
5.	St. Mary's	15.0%
6.	Washington	13.5%
7.	Dorchester	13.1%
8.	Charles	11.9%
9.	Prince George's	10.9%
10.	Caroline	10.8%
11.	Montgomery	10.0%
12.	Carroll	9.8%
13.	Kent	9.5%
14.	Harford	9.4%
15.	Garrett	9.3%
16.	Frederick	9.3%
17.	Baltimore	9.0%
18.	Cecil	8.4%
19.	Queen Anne's	8.3%
20.	Anne Arundel	7.9%
21.	Calvert	7.8%
22.	Howard	6.3%
23.	Talbot	5.1%
24.	Worcester	4.4%
	Statewide	**11.1%**

Source: Department of Legislative Services

Chapter 4. Fiscal Impact of Homestead Tax Credit Program

Revenue Effects of Raising the Homestead Tax Credit Assessment Cap

This chapter of the report focuses on the implications of increasing Baltimore City's homestead assessment cap, including potential revenue increases and reductions in the city's real property tax rate. This chapter also provides examples of how an increased assessment cap and lower property tax rates may affect various Baltimore City residents.

Potential Revenue Increases from an Increased Assessment Cap

Due to the downturn in residential assessments in the city in recent years and a forecast for minimal assessment increases for the near future, the effect of the homestead tax credit on city revenues continues to decrease. This is to say that for the foreseeable future the city will lose less assessable base and property tax revenue from the homestead credit. Any increase in the city's assessment cap will accelerate this effect.

As discussed, the Homestead Property Tax Credit Program limits the annual increase in taxable assessments for owner-occupied residential properties to 10% or less. During periods of increasing assessments, property tax revenues are more adversely affected as more homeowners receive larger homestead tax credits. This is particularly true in jurisdictions, such as Baltimore City, that have low homestead assessment caps. In Baltimore City, the forgone revenue resulting from the homestead tax credit reached its peak in fiscal 2010 and 2011 which coincided with significant real property assessment increases that occurred between fiscal 2005 and 2010. Baltimore City's 4% homestead assessment cap is projected to reduce Baltimore City revenues by approximately $66.3 million in fiscal 2014; by $44.5 million in fiscal 2015; by $42.6 million in fiscal 2016; and by $26.5 million in fiscal 2020. **Appendix 3** summarizes the forgone revenue resulting from the homestead property tax credit in each year for fiscal 2004 through 2020. It is important to note that the foregone revenue in any given year, as shown in Appendix 3, is the amount of revenue the city would lose in that year at different assessment cap percentages and does not reflect the cumulative effect of any change in the out years.

During times of flat or decreasing assessments, jurisdictions with higher caps gain back assessable base that was lost to the homestead credit at a much faster rate than those jurisdictions with lower assessment caps. Therefore, increasing the city's assessment cap to 10% will accelerate the recapture of the homestead property tax credit. As a point of reference, Montgomery County, which has a 10% assessment cap, lost 8.1% of its assessable base to the homestead credit in fiscal 2010; by fiscal 2015 and 2016, the percentage of assessable base lost to the homestead credit was 0.1%. By comparison, Baltimore City lost 18.2% of its assessable base to the homestead credit in fiscal 2010 and 5.8% in 2015 and 5.4% in fiscal 2016. This amount is estimated to decrease to 4.9% in fiscal 2017, as shown in **Exhibit 4.1**. As also shown in the exhibit, almost all of the city's foregone revenue associated with the homestead tax credit is attributable to the city's 4% cap. Assuming a similar behavior with regard to gaining back the assessable base due to a diminishing homestead credit, it is likely that any revenue increase in Baltimore City from an increased assessment cap will be short lived. If Baltimore City follows a similar pattern as in Montgomery County, and assessments do remain relatively constant, it is likely that within three to five years of increasing the homestead assessment cap to 10%, Baltimore City will lose virtually no assessable base to the homestead tax credit.

Increasing the city's homestead assessment cap will have the effect of reducing the forgone revenue associated with the cap, and thereby increasing property tax revenue faster for the city than under the current 4% cap. The amount of the revenue increase depends on the new assessment cap percentage chosen by the city. In addition, the amount of any revenue increase depends on the year in which the new cap percentage takes effect. If, for example, Baltimore City had a 6% assessment cap in fiscal 2015 (rather than a 4% assessment cap), the city could have realized a property tax revenue increase of $2.8 million. An 8% assessment cap could have resulted in a revenue increase of $5.4 million, while a 10% cap could have increased revenues by $7.8 million. Because the cost of the homestead property tax credit is projected to decrease through fiscal 2020, as the taxable assessment for residential properties gets closer to the market assessment of residential properties in the city, the additional revenue resulting from an assessment cap percentage increase will decrease as well. For example, it is estimated that a 6% assessment cap will result in $1.7 million in additional revenue in fiscal 2020; an 8% cap will result in a $3.2 million revenue increase; and a 10% assessment cap is projected to increase revenues by $4.6 million. **Exhibit 4.2** summarizes the resulting revenue increases from assessment caps ranging from 5% to 10% in Baltimore City for fiscal 2016 through 2020. These projected revenue increases are estimated based on the assessment and revenue trends that occurred during fiscal 2004 through 2015. However, as noted, these amounts reflect the potential increased revenue in the year that a new cap percentage takes effect, rather than the year-to-year change if the city were to increase its assessment cap for fiscal 2017.

By comparison, if Baltimore City had a 6% assessment cap in fiscal 2010, city property tax revenues could have increased by $5.0 million, while an 8% cap could have yielded an additional $9.9 million in revenues. A 10% homestead assessment cap in fiscal 2010 could have resulted in an additional $14.7 million in property tax revenues for the city. **Appendix 4** shows the revenue that could have resulted from higher homestead assessment caps for fiscal 2004 through 2020. **Exhibit 4.3** illustrates the trend over time; as shown, there is potentially more available revenue from a higher cap during periods of large assessment increases, such as occurred from fiscal 2007 through 2010.

Effect on Baltimore City's Property Tax Rate Resulting from an Increased Assessment Cap

Exhibit 4.4 shows the property tax rate equivalent associated with the projected revenue increases from each higher homestead assessment cap percentage for fiscal 2016 through 2020. This tax rate equivalent is the amount by which Baltimore City can decrease real property tax rates and remain approximately revenue neutral. For fiscal 2015, the revenue increase associated with 6% homestead assessment cap results in a property tax rate equivalent of $0.0079; an 8%

assessment cap results in a property tax rate equivalent of $0.0154; and a 10% assessment cap results in a property tax rate equivalent rate of $0.0225. Just as the amount of revenue generated from higher assessment caps are projected to decrease over the next five years, so too will the corresponding property tax rate equivalents. By fiscal 2020, the property tax rate equivalent associated with a 6% assessment cap will decrease to $0.0046. An 8% homestead assessment cap will result in a property tax rate equivalent of $0.0088, and a 10% assessment cap with have a property tax rate equivalent of $0.0127. **Appendix 5** shows the property tax rate equivalents for the different assessment caps for fiscal 2004 through 2020.

Due to the high assessment increases of the middle 2000s, the potential revenue derived from assessment caps of 6%, 8%, and 10% in fiscal 2010 (shown in Appendix 5) would have resulted in property tax rate equivalents of $0.0138, $0.0274, and $0.0407, respectively.

The amount of any revenue increase resulting from a higher assessment cap is closely tied to assessment increases, which are in turn linked to the overall "cost" to the city or "tax relief" to homeowners of the program. Because Baltimore City has a relatively low assessment cap, assessment increases above 4% significantly add to the cost of the program in terms of reduced property tax revenues while providing more property tax relief to homeowners. As assessments decrease or remain flat, such as is occurring now, relative to the significant assessment increase of the latter part of the 2000s, the city's lower 4% homestead credit can have the effect of moderating the revenue impact of the slower growth as it will take longer for taxable assessments to meet market assessments.

Potential Impacts of Increased Assessment Cap

Because the cost of Baltimore City's homestead tax credit is forecast to decrease through at least fiscal 2020, the city will realize significantly less revenue through an increase in the assessment cap percentage than if the city had implemented a higher assessment cap several years ago. As shown in Appendix 4, while the city may realize $4.6 million from a 10% assessment cap in 2020, this is approximately one-third of the amount that could have been generated by a 10% cap in fiscal 2010. However, it is important to note that any revenue increase resulting from an increased homestead assessment cap will be a very small percentage of real property revenues as a whole. **Exhibit 4.5** shows the increase in property tax revenues from a 10% assessment cap in fiscal 2004 through 2020 if the cap had been increased in that year. It does not show the cumulative effect in the succeeding years. The years in which the projected revenue increases from a 10% cap resulted in the highest percentage increase are in fiscal 2008 through 2011 with the increase approaching a 2% increase over the actual collections. However, in most years the increase from an increased cap is about 1% over actual or projected real property tax collections. By fiscal 2020, the increase is estimated to only be approximately one-half of one percent over currently estimated real property tax collections. As a result, even in years of significant real property assessment increases, Baltimore City is not likely to realize a significant increase in real property revenues through a higher homestead assessment cap percentage.

Potential Impact of Increased Assessment Cap on Homeowners and Other City Residents

Impact on City Revenues

If Baltimore City opts to increase its homestead assessment cap, there are several ways in which the resulting revenue may be used, including (1) providing an across the board property tax rate cut to all property owners in the city; (2) adding additional funding to the city's targeted homeowner's tax credit; and (3) funding other city programs. It is important to note that more revenue will be generated by a higher homestead assessment cap, and based on current projections, any revenue increase from a higher cap will decrease each year for the foreseeable future as the effects of the homestead credit in the city decline.

The homestead credit tends to shift the property tax burden away from homes with rapid growth in value toward properties experiencing less growth in value. In addition, the application of the homestead credit during periods of significant increases in home assessments tends to result in a general shift of the property tax burden away from owner-occupied dwellings toward other property that is subject to the property tax. The homestead credit can also result in significant inequality between the property tax treatment of similarly valued homes, depending on whether and for how long one or the other property has been eligible for the credit. However, during times of decreasing or flat assessments, as is taking place now, the opposite of these characteristics of the tax credit tend to occur. As assessments decrease, fewer properties are able to use that credit, thereby reducing the overall cost of the program on city property tax revenues and equalizing the treatment of different properties. Because Baltimore City has a relatively low homestead assessment cap, city revenues will increase at a slower pace than if it had a higher cap as it takes longer to close the gap between market assessments and taxable assessments. A jurisdiction with a higher cap, such as Montgomery County with a 10% assessment cap, will lose very little revenue from the homestead property tax credit as taxable assessments catch up to market assessment at a faster pace when assessments decrease. Montgomery County currently loses 0.1% of its assessable base to the homestead property tax credit, whereas Baltimore City loses 5.8%. The flip side to this, of course, is that very few homeowners in Montgomery County currently realize any benefit from the homestead property tax credit.

Effect on Homeowners

As noted, if Baltimore City had a 10% homestead assessment cap for fiscal 2015, the city could realize an additional $7.8 million in property tax revenues. This amount equals a property tax equivalent rate of $0.0225, which means the city could have reduced its real property tax rate to $2.2255 and its personal property tax rate to $5.5638 (due to the fact that the city's personal property tax rate is two and a half times the real property tax rate).

With regard to which taxpayers in the city benefit the most from the reduced tax rate, those most positively affected by a property tax rate reduction will be those residential taxpayers who do not currently receive a homestead property tax credit, commercial property owners, and those persons with taxable personal property in the city. Residential taxpayers who lose all or part of their homestead property tax credit (those with assessment increases above 4%) due to the increased assessment cap will be more negatively affected, as they will likely see less overall impact on their property tax bills because any tax reduction due to a rate cut will be offset by an increased taxable assessment due to the full or partial loss of the homestead credit.

Exhibits 4.6 through **4.8** show the impact of a property tax rate cut on three hypothetical homeowners in Baltimore City. The exhibits show each homeowner's current property tax bill based on assessed value and the city's current real property tax rate of $2.248 per $100 of assessed value, the new property tax rate at each new assessment cap percentage, and the change in the homeowner's property tax bill at each assessment cap percentage. These estimates assume the homeowner does not currently receive the homestead property tax credit. Any savings associated with a property tax rate reduction are likely to be offset to the extent the homeowner loses some or all of his or her homestead property tax credit as a result of increasing the assessment cap percentage.

Exhibit 4.6 shows a homeowner with an assessed home value of $117,600 and a city property tax bill of $2,644. As shown in the exhibit, if the city had a 6% cap in fiscal 2015, the homeowner could have saved $9.35 in property taxes. An 8% assessment cap would result in $18.13 in savings, while a 10% cap would result in $26.42 in property tax savings.

In Exhibit 4.7, the property owner has an assessed property value of $207,000 and a city property tax bill of $4,653. A 6% cap in fiscal 2015 will result in a property tax rate decrease of $0.0079, which will save the homeowner $16.46 in property taxes. An 8% assessment cap would result in $31.91 in property tax savings, and the new property tax rate associated with a 10% assessment cap would save the homeowner $46.50 in property taxes.

Finally, Exhibit 4.8 shows a homeowner with an assessed home value of $268,000 and a city property tax bill of $6,025. As shown in the exhibit, if the city had a 6% cap in fiscal 2015, the resulting property tax rate cut could save the homeowner $21.31 in property taxes. An 8% assessment cap would result in $41.31 in property tax savings, while a 10% cap would result in $60.21 in property tax savings.

Exhibit 4.9 compares, by ward, the net effect of increasing the city's homestead assessment cap to 10% and reducing the property tax rate by $0.0225 on homeowners that currently receive the homestead property tax credit and those that do not. As shown, homeowners that do not receive the homestead property tax credit will pay less in property taxes due to the reduced property tax rate. However, homeowners that receive the homestead property tax credit will actually pay more in property taxes as the benefit provided by the reduced property tax rate is offset by additional property taxes owed due to an increased taxable assessment resulting from the increased homestead assessment cap. The effect is greatest in wards 23, 3, and 24, which have the highest average homestead tax credits.

Effect on Nonresidential Property Owners

With regard to nonresidential property, for fiscal 2015, the average assessment for a property with a commercial classification in Baltimore City is approximately $1.2 million. **Exhibit 4.10** shows the property owner's current property tax bill based on assessed value and the city's current real property tax rate of $2.248 per $100 of assessed value, the new property tax rate at each new assessment cap percentage, and the change in the property tax bill at each assessment cap percentage. As shown in the exhibit, a 6% assessment cap in fiscal 2015 will result in a property tax rate decrease of $0.0079, which will save the property owner $93.51 in property taxes. An 8% assessment cap would result in $181.32 in property tax savings and the new property tax rate associated with a 10% assessment cap would save the property owner $264.25 in property taxes.

To the extent that any property tax rate reduction in Baltimore City is financed through an increase in the city's homestead assessment cap, it is important to note that cost of the property tax rate reduction will be borne disproportionately by those homeowners who currently receive the homestead property tax credit. As shown in Exhibit 4.9, homeowners who do not currently receive the homestead property tax credit will realize a reduction in real property taxes due to the property tax rate reduction. The same is true of commercial property owners, as well as any persons with personal property in the city. However, homeowners who currently receive the homestead property tax credit will likely end up paying more in real property taxes as the benefit provided by a reduced real property tax rate is offset by their increased residential property assessment resulting from the increased homestead assessment cap. The overall impact will vary by homeowner and also depends on whether the owner loses the homestead credit in part or altogether.

Characteristics of Baltimore City Homeowners

This section summarizes key characteristics of homeowners in Baltimore City, and compares those who currently benefit from the homestead tax credit and those who are eligible but do not currently benefit from the credit. The characteristics examined include property value, years of home ownership, type of dwelling, dwelling area, and ward of residence. **Appendix 6** through **8** summarizes the potential tax changes for some of these current homestead property tax credit recipients if the city were to adopt a 10% homestead assessment cap.

Years of Home Ownership

Exhibit 4.11 shows that one-third of homestead recipients have owned their homes for 26 or more years. A majority, or 56%, have owned their homes for at least 15 years. Only 24% of homestead recipients have owned their homes for 10 years or less. **Exhibit 4.12** shows that homeowners who have owned their homes for 16 to 20 years receive the largest average homestead credit at $38,040. Those who have owned their homes for less than 5 years receive the smallest average credit at $25,136. If the city were to increase its assessment cap to 10%, those residents who have resided in their homes for 5 years or less will pay on average, about $98 more in property taxes, while those residing in their homes between 16 and 20 years will, on average, pay $148 more and those residing in their homes between 11 and 15 years will, on average, pay an additional $144 more in property taxes.

Exhibit 4.13 shows that 70% of homeowners who do not currently receive the homestead credit have owned their homes for 10 years or less. The fact that the homestead credit benefits longtime homeowners disproportionately is not surprising because these homeowners have had the opportunity to benefit from years of deferred assessment increases.

Property Value

Exhibit 4.14 shows the property value of homeowners who receive the homestead credit. Nearly two-thirds of homestead recipients own properties worth $149,999 or less. Only 1,034, or about 2%, of homestead recipients own homes worth $500,000 or more. However, as shown in **Exhibit 4.15**, the average homestead credit amount that a homeowner receives increases steadily as property value increases, with the most expensive properties receiving by far the largest homestead credit. The average homestead credit for homeowners with properties worth between $100,000 and $149,999, which includes 45% of homestead recipients, is $26,263. The average credit for the fewer than 1,000 homeowners with properties worth between $500,000 and $999,999 is $106,421. For the 73 properties worth $1 million or more, the average homestead credit is much larger. This data shows that the homestead credit, because it is proportional to assessed value, benefits owners of expensive properties more than owners of less expensive properties. However, the bulk of the tax credits across the city are received by those in homes with values of less than $200,000. As a result, any change in the assessment cap will affect more of these homeowners than homeowners of higher value homes. At a 10% assessment cap, residents living in properties valued at between $100,000 and $149,999 will pay, on average, an additional $102 in property taxes and residents in properties valued between $200,000 and $249,999 will pay, on average, $243 more in property taxes. As noted, owners of these properties received the majority of homestead property tax credits in the city.

Exhibit 4.16 shows the property value of homeowners who are eligible but do not currently receive the homestead credit. More of these homeowners own inexpensive properties than homeowners who receive the homestead credit. Approximately 35% of homestead nonrecipients own homes worth less than $99,999, compared to 21% of homestead recipients. The distribution of homestead nonrecipients by property value is otherwise similar to homestead recipients.

Dwelling Type

Exhibit 4.17 shows the number of homestead credit recipients who own different types of dwellings. The large majority of homeowners who receive the homestead credit own a townhouse or a rowhouse. Most of the rest of the homestead recipients own a single-family home, and only a small portion own a condominium. This reflects the composition of Baltimore City’s housing stock. **Exhibit 4.18** shows the average amount of the homestead credit by dwelling type. Owners of single-family homes receive the largest average homestead credit at $38,129. Owners of townhouses and rowhouses receive the smallest average credit at $33,615. The small number of condominium owners receive an average credit of $34,151. Residents living in a single-family residence will likely pay, on average, an additional $148 more in property taxes due to an increase to a 10% assessment cap, while those living in a rowhouse or townhouse will pay, on average, $131 more. Condominium residents would pay about $133 more in property taxes from a 10% assessment cap.

Exhibit 4.19 shows the type of dwelling owned by homeowners who do not receive the homestead tax credit. The distribution of homeowners by dwelling type is similar to that for homestead recipients, except that more homestead non recipients own condominiums.

Dwelling Area

Exhibit 4.20 shows the number of homeowners receiving the homestead credit who own homes of different sizes. About 58% of homestead recipients own homes of between 1,001 and 1,500 square feet. An additional 16% own homes of 1,000 square feet or less. Only 3% of homestead recipients own homes of more than 3,000 square feet. **Exhibit 4.21**, however, shows that the average amount of the homestead credit that a homeowner receives increases steadily with the size of the home. The average credit for the majority of homestead recipients who own homes of between 1,001 and 1,500 square feet is $29,080. In contrast, the 199 homeowners with homes larger than 5,000 square feet receive the largest average credit at $159,211.

Exhibit 4.22 shows the size of dwelling owned by homeowners who do not receive the homestead credit. The distribution by size of dwelling is similar to that for homestead recipients. However, a larger proportion of homestead nonrecipients, 23%, own homes of 1,000 square feet or less. This compares to 16% of homestead recipients who own homes of 1,000 square feet or less.

Ward of Residence

Exhibit 4.23 shows the number of homeowners receiving the homestead credit, by ward. The map shows that the 27th ward, encompassing the northern part of the city, has the largest number of homeowners receiving the homestead credit. The wards with the fewest homeowners receiving the homestead credit are clustered in the central part of the city, including the downtown area and areas immediately to the east and west. **Exhibit 4.24** shows the number of homeowners who do not receive the homestead credit, by ward. These homeowners are dispersed across the city in a pattern similar to homestead credit recipients, with the largest concentration in the 27th ward and the lowest concentration in the central part of the city.

Exhibit 4.25 shows the average amount of the homestead credit, by ward. The wards with the largest average credit are clustered around the Inner Harbor, including the Fells Point, Canton, Otterbein, Federal Hill, and Locust Point neighborhoods. Other wards with large average homestead credit amounts are located immediately east and west of the harbor area and in the north central part of the city.

Exhibit 4.26 provides an explanation for the concentration of large homestead credits in the Inner Harbor area. Because the homestead credit a homeowner receives is proportional to the value of the property, areas with more expensive properties will receive larger credits. Exhibit 4.26 shows the average residential assessment by ward. The wards where the average residential assessment is higher are the same wards where homeowners receive the largest homestead tax credits. Exhibits 4.23 and 4.24 shows that some of these same wards have relatively fewer homeowners than other wards in the city.

Exhibit 4.27 provides a closer look at the distribution of wealth across the city. The map depicts median household income by census tract, with the wards overlaid. The map shows that the same wards with the most expensive residential properties, as shown in Exhibit 4.26, and the largest average homestead credit, as shown in Exhibit 4.25, also include the census tracts with the highest median household income. These census tracts are clustered around the Inner Harbor and in the northern part of the city. Exhibit 4.27 also shows the variation in wealth within the wards. For example, the relative affluence of the 27^{th} ward is due primarily to the Roland Park and Mount Washington neighborhoods. Median household income in other neighborhoods in the ward is lower. The map also shows that neighborhoods with the highest median household income in the Inner Harbor area include Federal Hill, Otterbein, Locust Point, and Canton.

Baltimore City's Targeted Homeowners Tax Credit Program

As discussed previously, Baltimore City adopted the targeted homeowners tax credit (THTC) in 2012 to reduce the effective tax rate for owner-occupied dwellings by 20 cents by the year 2020. The THTC is calculated by multiplying the calculated credit rate by the assessed value of the improved portion of the property. The program is intended to specifically provide tax relief to homeowners rather than all property owners in the city as part of the city's plan to attract new homeowners to the city. The calculation of the property tax credit is also designed to reward homeowners who have invested in their properties. The tax credit rate is set annually by the city's Board of Estimates, and is based on the amount of funding available for the tax credit. The tax credit is funded with 90% of the city's revenue from the city's new downtown casino as well as reductions in city spending. The total cost of the credit to the city is estimated to be $38 million by 2020, as shown in **Exhibit 4.28**. Baltimore City could use additional revenue from an increased homestead assessment cap to provide additional funding for this program.

For fiscal 2015, the THTC will provide eligible homeowners on average an effective property tax rate reduction of $0.13, which equals a property tax reduction of $174. **Exhibit 4.29** shows the amount of additional funding that could have been available had the city adopted a 10% homestead assessment cap for fiscal 2015 and the additional property tax relief provided to homeowners receiving the city's THTC. As shown in the exhibit, eligible homeowners could realize an additional effective property tax rate reduction of $0.05. **Exhibit 4.30** shows, by ward, the average additional THTC that could be provided if the program had an additional $7.8 million in funds. On average, homeowners could have received an additional $80 through the THTC program if the city had an additional $7.8 million for the program. As shown in the exhibits, the amount of additional property tax relief provided through the THTC program varies depending on each homeowner's improved assessment. Homeowners in those wards with the highest average assessments will receive the most in additional funds. However, expanding the THTC program will allow property tax relief to be spread more broadly across the city's population, with the more than 35% of city homeowners who do not receive the homestead tax credit being able to receive tax relief through the THTC. This equates to more than 30,000 additional households who would receive tax relief than currently do so under the homestead program.

Potential Impact of an Increased Assessment Cap on the Homeowners' Property Tax Credit Program

The Homeowners' Property Tax Credit Program (Circuit Breaker) is a State-funded program (*i.e.*, the State reimburses local governments) providing credits against State and local real property taxation for homeowners who qualify based on a sliding scale of property tax liability and income. If Baltimore City opts to increase its homestead assessment cap, State reimbursements to Baltimore City residents receiving the homeowners' property tax credit will also increase as a higher assessment cap will result in increased property tax liabilities for some homeowners. Based on the State's current program expenditures for Baltimore City, it is estimated that a 6% assessment cap will increase expenditures by approximately $116,000; an 8% assessment cap will increase expenditures by approximately $333,000; and a 10% assessment cap will increase program expenditures by approximately $539,000.

Impact of the Homestead Property Tax Credit on Revenue Stabilization Efforts

The Homestead Property Tax Credit Program was designed to benefit homeowners by limiting increases in taxable assessments, thereby shielding them from significant increases in any given year. The program was not intended to stabilize the stream of property tax revenue flowing to local governments, but it can have that effect to a certain degree as discussed in Chapter 2.

Local governments can, however, receive a benefit because the credit prevents property tax revenues from rising too high too quickly during periods of assessment increases and from falling too low too quickly during periods of assessment decreases, which can allow for more predictable budgeting. During periods of rising assessments, property tax revenues increase more slowly and moderately because only a portion of the increased assessments are taxable. During periods of falling assessments, property tax revenue may continue to increase for a period of time or fall slowly and moderately because taxable assessments remain below the market value of many properties.

It is important to note, however, that the revenue stabilization effect of the homestead credit in Baltimore City appears to be modest. At the height of the rapid increase in assessments that occurred in the late 2000s, the largest amount of revenue the city would have gained in a single year from a 10% assessment cap is $14.7 million in fiscal 2010, or a 1.9% increase over actual property tax collections for that year. This additional revenue, as a percent of total property tax collections, that is associated with an increased homestead assessment cap is forecast to decline as the overall cost of the homestead credit continues to decrease over the next several years. This indicates that the city's property tax revenue stream is only marginally affected by the homestead credit. This is likely due to the fact that only owner-occupied properties are subject to the homestead credit. Approximately 60% of the city's property tax base, including commercial properties, rental properties, and other types of property, is not eligible for the homestead tax credit at all.

If the city wishes to increase its homestead assessment cap and implement alternative revenue stabilization tools, one option is to set aside a portion of any increased revenue resulting from a higher assessment cap in a revenue stabilization fund. If this option is utilized, the data presented in Exhibit 4.5 may be used to determine how much revenue should be allocated to the fund. However, using any revenue from an increased homestead assessment cap for revenue stabilization will limit the city's ability to provide additional tax relief through a property tax rate reduction.

Exhibit 4.1

Estimated Assessable Base Loss Due to Homestead Property Tax Credit
($ in Thousands)

Fiscal Year	Total City Assessable Base	Loss Due to 10% Homestead Cap	After 10% Homestead Cap	Percent Lost	Loss Due to Actual Homestead Cap	After Actual Homestead Cap	Percent Lost
2010	$36,152,390	$4,291,086	$31,861,304	11.9%	$6,573,441	$29,578,949	18.2%
2011	37,123,845	3,410,609	33,713,236	9.2%	6,268,735	30,855,110	16.9%
2012	35,496,276	1,998,285	33,497,991	5.6%	5,249,768	30,246,508	14.8%
2013	33,133,118	1,042,434	32,090,684	3.1%	4,175,270	28,957,848	12.6%
2014	32,548,629	572,484	31,976,145	1.8%	2,954,215	29,594,414	9.1%
2015	33,877,108	270,216	33,606,892	0.8%	1,970,097	31,907,011	5.8%
2016	33,556,872	238,749	33,318,123	0.7%	1,795,390	31,761,482	5.4%
2017	33,558,979	210,946	33,348,033	0.6%	1,636,176	31,922,803	4.9%

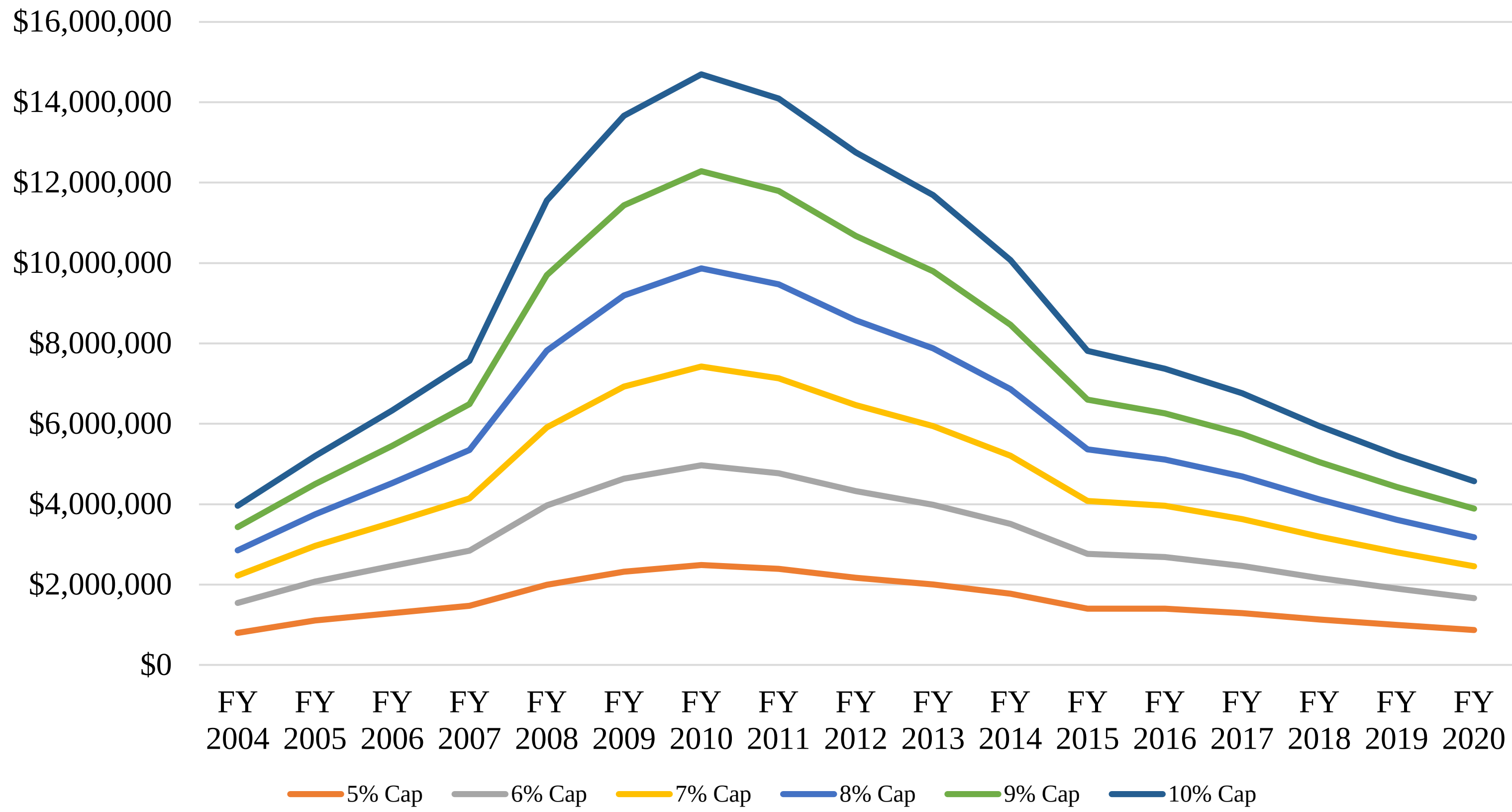
Source: Department of Legislative Services

Exhibit 4.2
Potential Revenue from Increased Homestead Assessment Cap
Fiscal 2016-2020

Revenue Increase @	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
5% Cap	$1,405,638	$1,289,108	$1,133,315	$994,706	$872,906
6% Cap	2,683,492	2,461,024	2,163,601	1,898,985	1,666,457
7% Cap	3,961,345	3,632,940	3,193,887	2,803,263	2,460,008
8% Cap	5,111,412	4,687,664	4,121,144	3,617,114	3,174,203
9% Cap	6,261,480	5,742,389	5,048,402	4,430,964	3,888,399
10% Cap	7,368,953	6,758,049	5,941,316	5,214,672	4,576,143

Source: Department of Legislative Services

Exhibit 4.3
Potential Revenue from Increased Homestead Assessment Cap
Fiscal 2004-2020



Source: Department of Legislative Services

Exhibit 4.4

Property Tax Rate Equivalent Resulting from Increased Homestead Assessment Cap

Fiscal 2016-2020

Tax Rate Equivalent @	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
5% Cap	$0.0041	$0.0036	$0.0031	$0.0028	$0.0024
6% Cap	0.0077	0.0068	0.0060	0.0053	0.0046
7% Cap	0.0114	0.0101	0.0088	0.0078	0.0068
8% Cap	0.0148	0.0130	0.0114	0.0101	0.0088
9% Cap	0.0181	0.0160	0.0139	0.0124	0.0108
10% Cap	0.0213	0.0188	0.0164	0.0145	0.0127

Source: Department of Legislative Services

Exhibit 4.5
Percentage Increase in Real Property Tax Revenue from a 10% Homestead Assessment Cap

Year	Real Property Revenue	Increase from 10% cap	Total	Percent Increase
FY 2004	$427,800,000	$3,958,974	$431,758,974	0.93%
FY 2005	450,000,000	5,199,143	455,199,143	1.16%
FY 2006	482,500,000	6,328,525	488,828,525	1.31%
FY 2007	524,500,000	7,565,421	532,065,421	1.44%
FY 2008	594,400,000	11,552,626	605,952,626	1.94%
FY 2009	699,100,000	13,659,760	712,759,760	1.95%
FY 2010	787,400,000	14,690,909	802,090,909	1.87%
FY 2011	814,900,000	14,092,141	828,992,141	1.73%
FY 2012	789,600,000	12,748,378	802,348,378	1.61%
FY 2013	754,700,000	11,692,746	766,392,746	1.55%
FY 2014	743,300,936	10,071,844	753,372,780	1.36%
FY 2015	735,621,599	7,814,058	743,435,657	1.06%
FY 2016	778,685,845	7,368,953	786,054,798	0.95%
FY 2017	808,700,532	6,758,049	815,458,581	0.84%
FY 2018	816,213,610	5,941,316	822,154,926	0.73%
FY 2019	806,299,055	5,214,672	811,513,727	0.65%
FY 2020	811,480,310	4,576,143	816,056,453	0.56%

Source: Baltimore City; Department of Legislative Services

Exhibit 4.6
Impact of Property Tax Rate Cut Due to Change in Homestead Assessment Cap

FY 2015 Annual Assessment	$117,600
FY 2015 Property Tax Rate	$2.2480
FY 2015 Property Tax Bill	$2,644

New Homestead Cap	Property Tax Rate Equivalent	New Property Tax Rate	Change in Property Tax Bill
5%	$0.0040	$2.2440	-$4.75
6%	0.0079	2.2401	-9.35
7%	0.0117	2.2363	-13.81
8%	0.0154	2.2326	-18.13
9%	0.0190	2.2290	-22.33
10%	0.0225	2.2255	-26.42

Source: Department of Legislative Services

Exhibit 4.7

Impact of Property Tax Rate Cut Due to Change in Homestead Assessment Cap

FY 2015 Annual Assessment	$207,000
FY 2015 Property Tax Rate	$2.2480
FY 2015 Property Tax Bill	$4,653

New Homestead Cap	Property Tax Rate Equivalent	New Property Tax Rate	Change in Property Tax Bill
5%	$0.0040	$2.2440	-$8.36
6%	0.0079	2.2401	-16.46
7%	0.0117	2.2363	-24.30
8%	0.0154	2.2326	-31.91
9%	0.0190	2.2290	-39.31
10%	0.0225	2.2255	-46.50

Source: Department of Legislative Services

Exhibit 4.8

Impact of Property Tax Rate Cut Due to Change in Homestead Assessment Cap

FY 2015 Annual Assessment	$268,000
FY 2015 Property Tax Rate	$2.2480
FY 2015 Property Tax Bill	$6,025

New Homestead Cap	Property Tax Rate Equivalent	New Property Tax Rate	Change in Property Tax Bill
5%	$0.0040	$2.2440	-$10.82
6%	0.0079	2.2401	-21.31
7%	0.0117	2.2363	-31.46
8%	0.0154	2.2326	-41.31
9%	0.0190	2.2290	-50.89
10%	0.0225	2.2255	-60.21

Source: Department of Legislative Services

Exhibit 4.9

Effect of a 10% Homestead Assessment Cap and a $0.0225 Property Tax Rate Reduction on Properties Receiving and Not Receiving a Homestead Property Tax Credit

Ward	Average Assessment	Average Homestead Credit	Tax Bill Without Homestead Credit	Tax Bill with Homestead Credit	Change in Tax Bill under New Rate – No Homestead	Change in Tax Bill under New Rate-reduced Homestead
1	$226,427	$67,324	$5,090	$3,577	-$51	$223
2	239,202	77,736	5,377	3,630	-54	263
3	269,789	88,371	6,065	4,078	-61	299
4	171,961	17,739	3,866	3,467	-39	34
5	100,595	33,715	2,261	1,503	-23	115
6	165,005	70,652	3,709	2,121	-37	251
7	37,638	12,680	846	561	-8	43
8	77,911	14,312	1,751	1,430	-18	41
9	101,400	24,621	2,279	1,726	-23	78
10	69,442	20,298	1,561	1,105	-16	67
11	217,367	65,206	4,886	3,421	-49	217
12	216,483	61,444	4,867	3,485	-49	202
13	160,732	50,718	3,613	2,473	-36	171
14	205,278	53,964	4,615	3,402	-46	174
15	96,226	28,882	2,163	1,514	-22	96
16	64,677	9,430	1,454	1,242	-15	24
17	83,313	33,745	1,873	1,114	-19	119
18	94,959	49,402	2,135	1,024	-21	180
19	97,221	49,721	2,186	1,068	-22	181
20	69,961	15,490	1,573	1,225	-16	47
21	134,473	49,182	3,023	1,917	-30	170
22	339,205	79,950	7,625	5,828	-76	250
23	235,389	104,097	5,292	2,951	-53	371
24	280,345	84,685	6,302	4,398	-63	282
25	117,215	31,704	2,635	1,922	-26	103
26	124,102	26,088	2,790	2,203	-28	78
27	178,596	30,491	4,015	3,329	-40	84
28	132,003	19,804	2,967	2,522	-30	51
Citywide	**$154,756**	**$34,912**	**$3,479**	**$2,694**	**-$35**	**$107**

Source: Department of Legislative Services

Exhibit 4.10

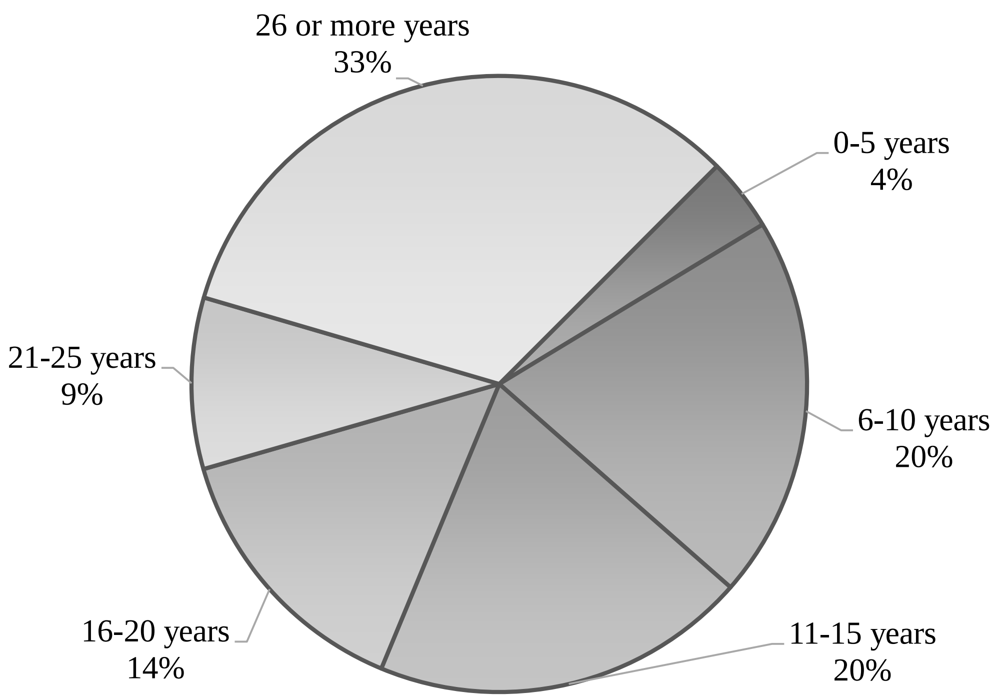
Impact of Property Tax Rate Cut on Commercial Property Due to Change in Homestead Assessment Cap

FY 2015 Annual Assessment	$1,176,218
FY 2015 Property Tax Rate	$2.2480
FY 2015 Property Tax Bill	$26,441

New Homestead Cap	Property Tax Rate Equivalent	New Property Tax Rate	Change in Property Tax Bill
5%	$0.0040	$2.2440	-$47.49
6%	0.0079	2.2401	-93.51
7%	0.0117	2.2363	-138.09
8%	0.0154	2.2326	-181.32
9%	0.0190	2.2290	-223.36
10%	0.0225	2.2255	-264.25

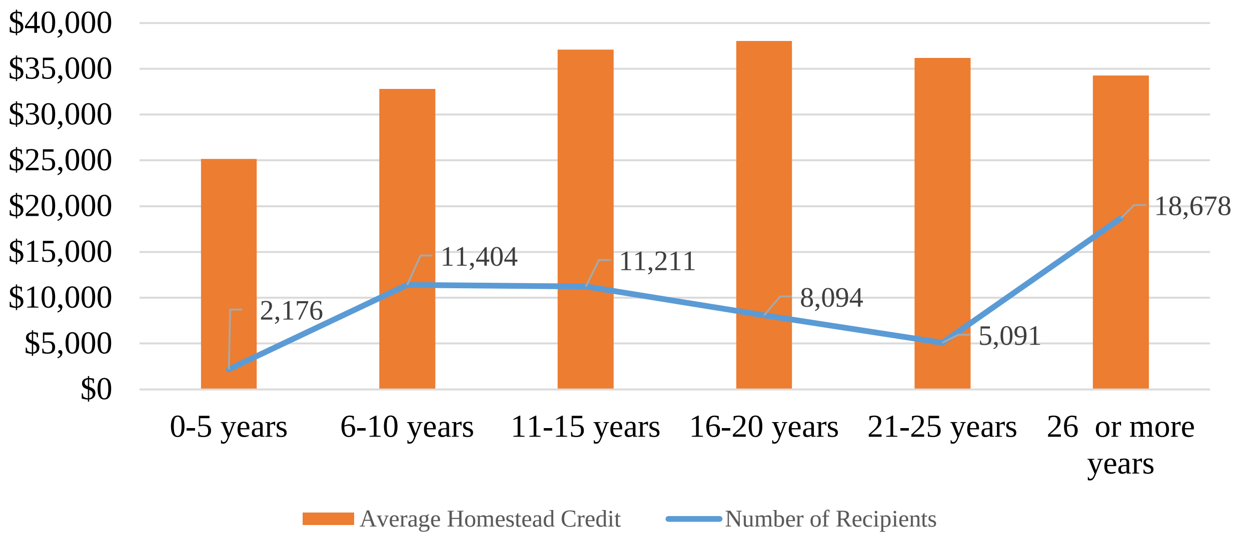
Source: Department of Legislative Services

Exhibit 4.11
Homestead Recipients by Years of Home Ownership



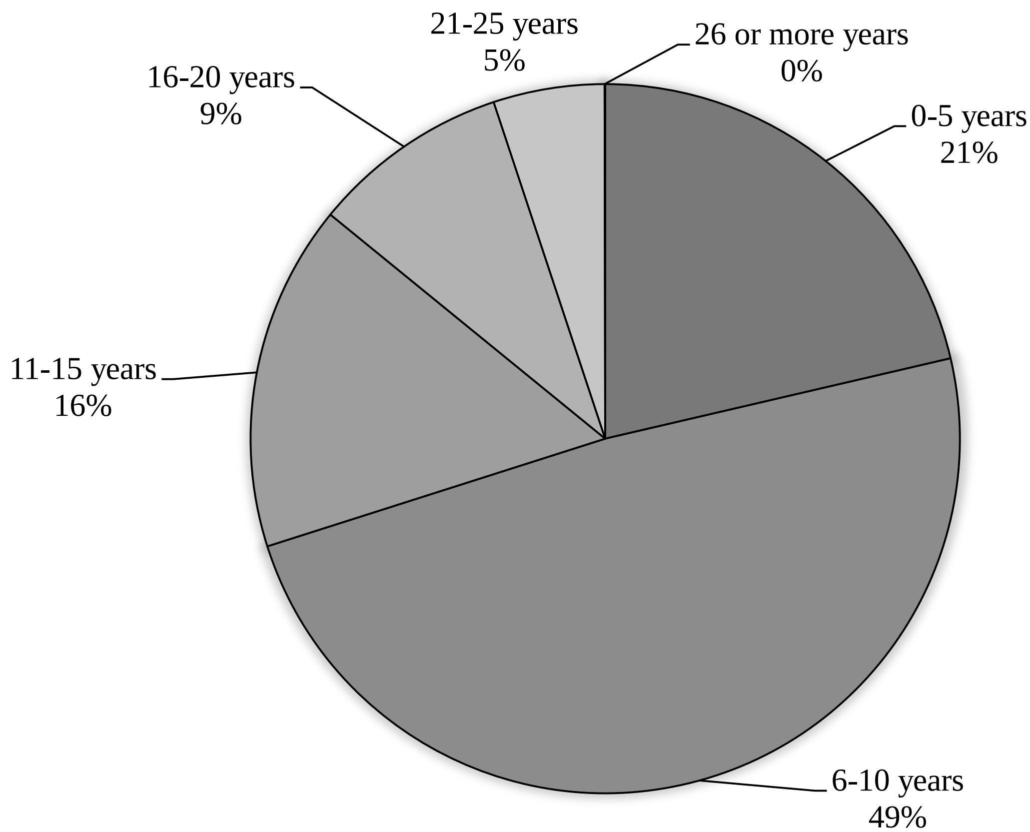
Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.12
Average Homestead Tax Credit by Years of Home Ownership



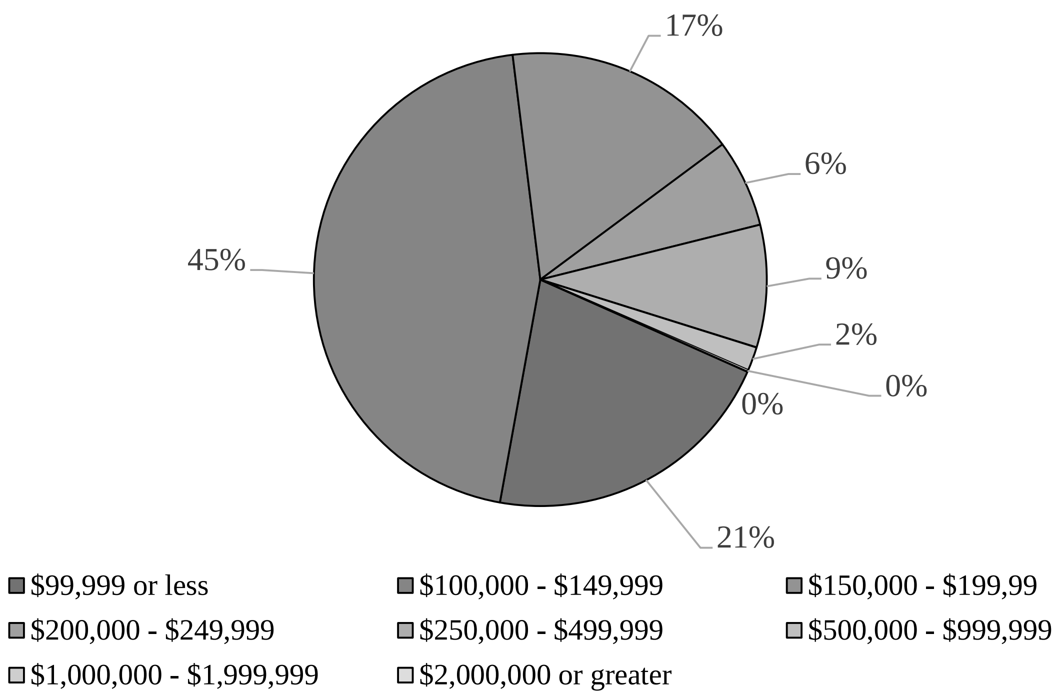
Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.13
Number of Non-Homestead Recipients by Years of Ownership
Fiscal 2015



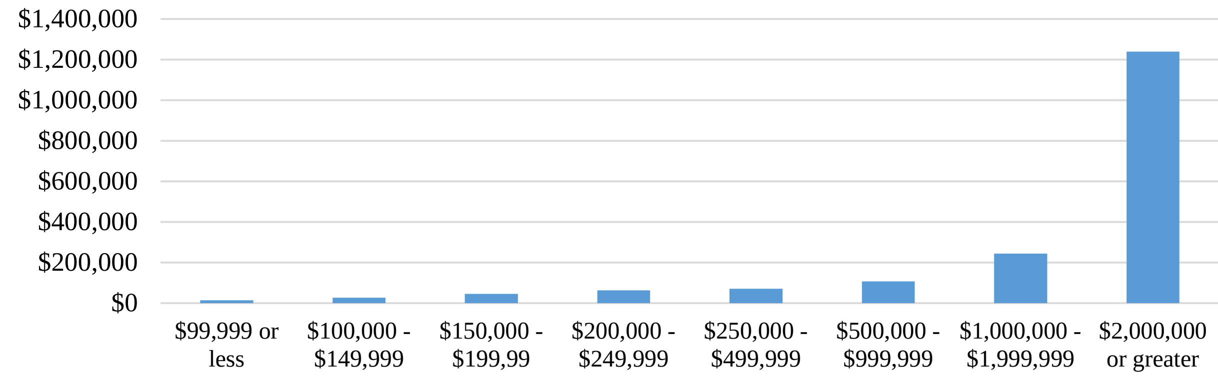
Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.14
Number of Homestead Accounts by Property Value
Fiscal 2015



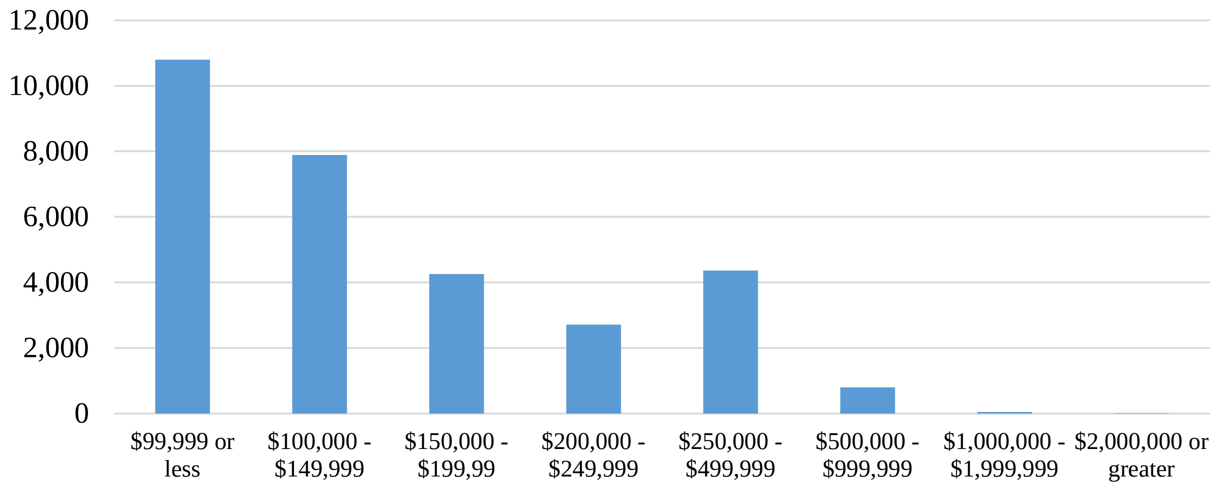
Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.15
Average Homestead Credit by Property Value
Fiscal 2015



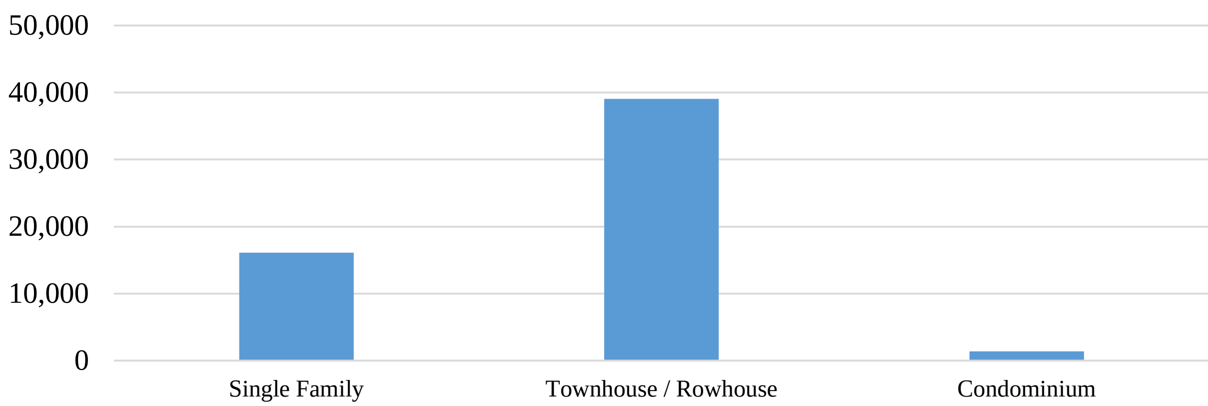
Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.16
Number of Non-Homestead Accounts by Property Value
Fiscal 2015



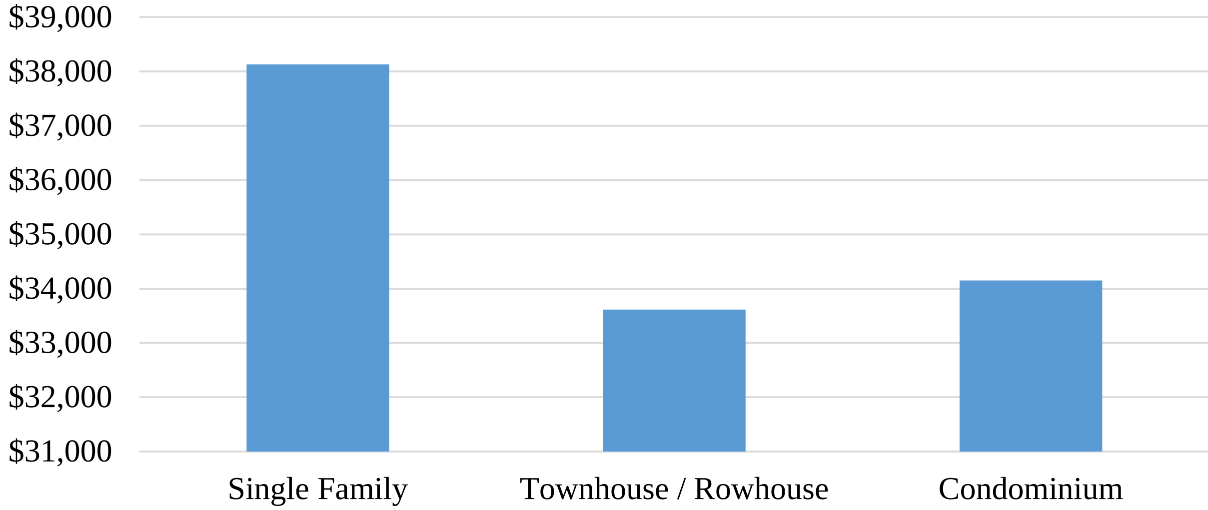
Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.17
Number of Homestead Accounts by Dwelling Type
Fiscal 2015



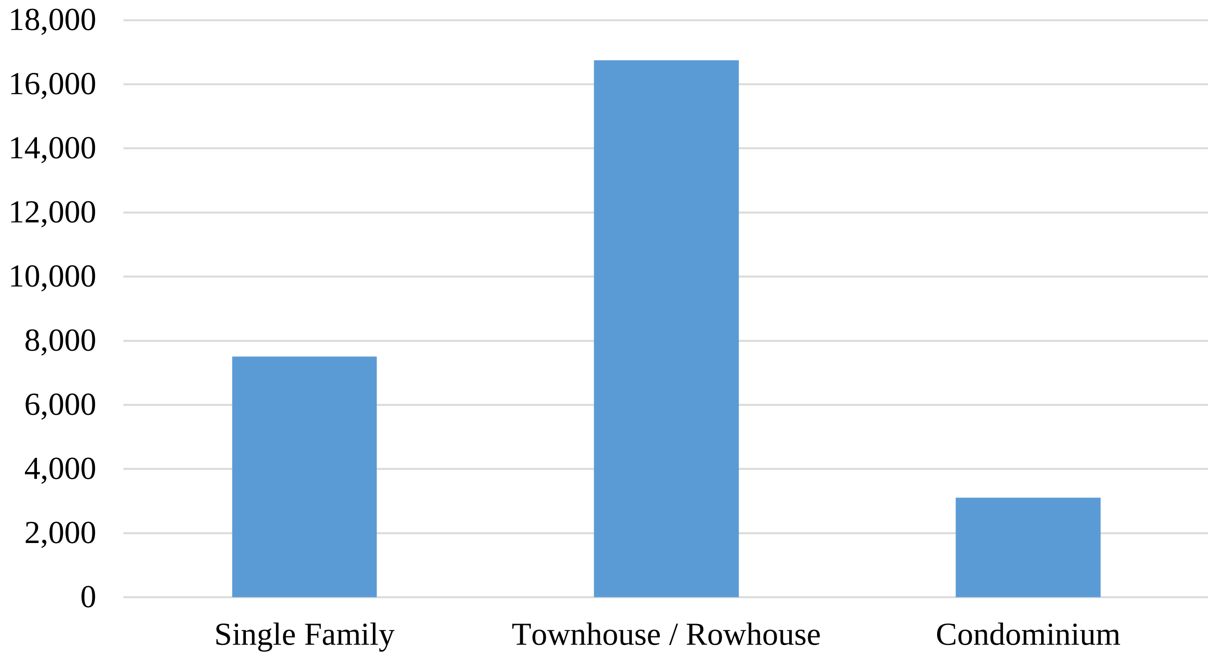
Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.18
Average Homestead Credit by Dwelling Type
Fiscal 2015



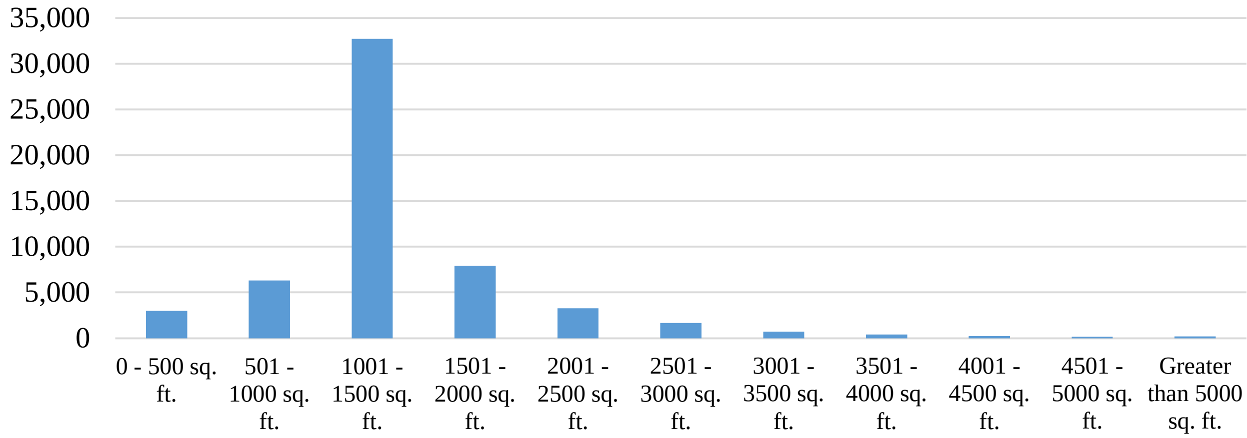
Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.19
Number of Non-Homestead Accounts by Dwelling Type
Fiscal 2015



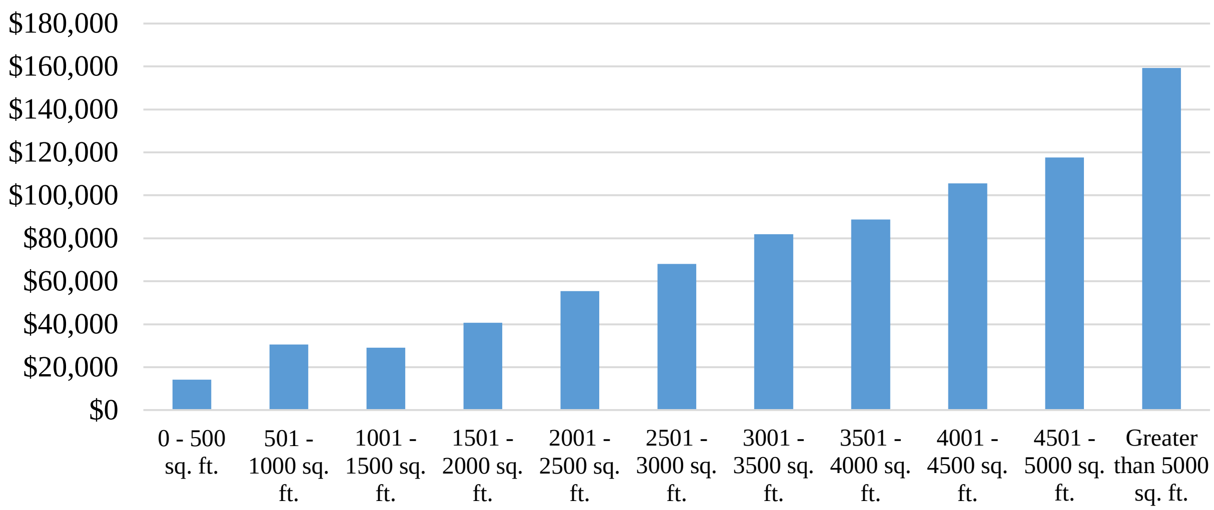
Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.20
Number of Homestead Accounts by Dwelling Area
Fiscal 2015



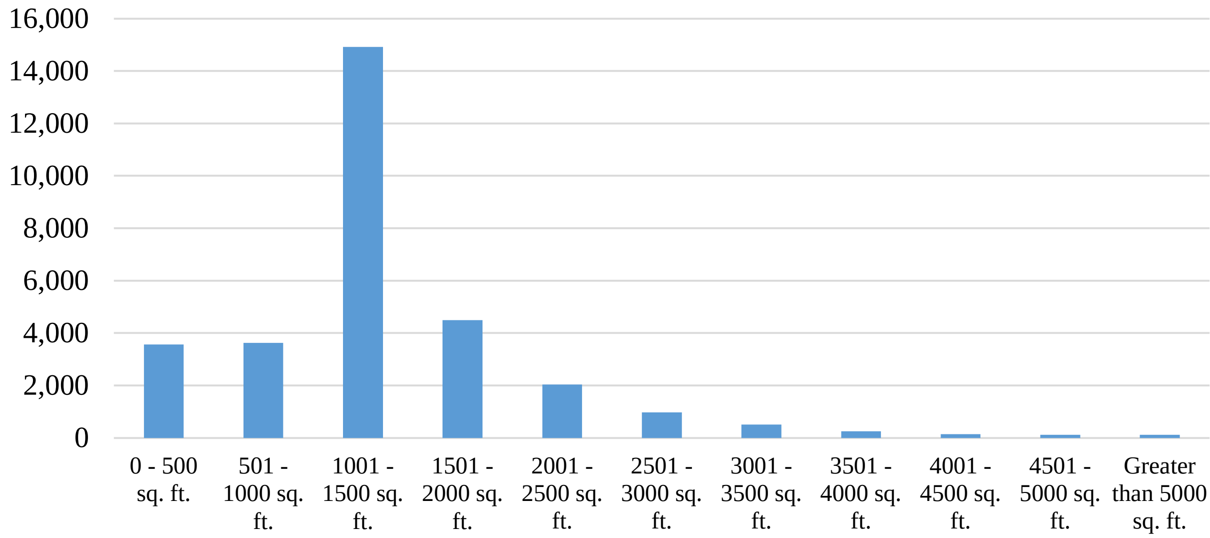
Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.21
Average Homestead Credit by Dwelling Area
Fiscal 2015



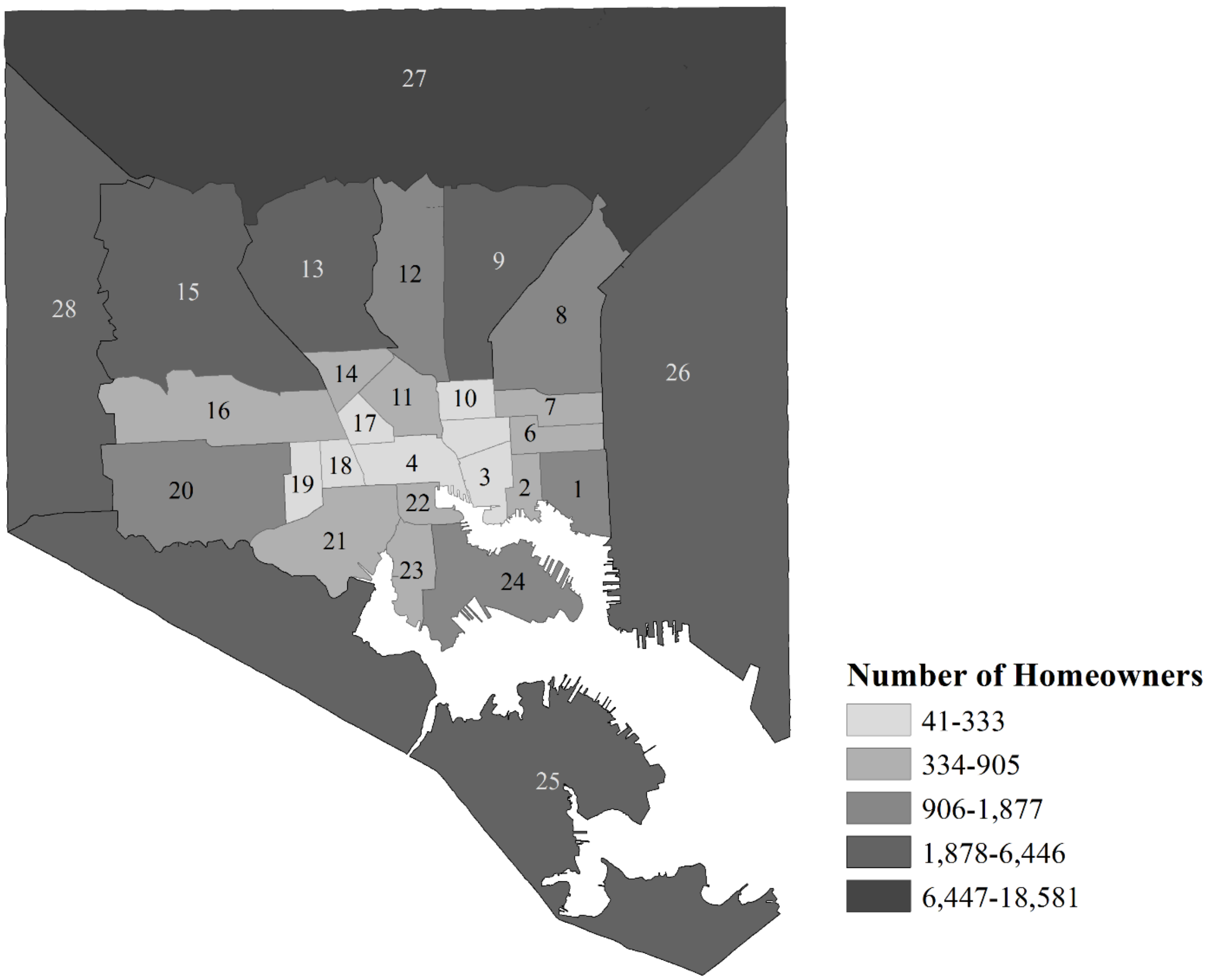
Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.22
Number of Non-Homestead Accounts by Dwelling Area
Fiscal 2015



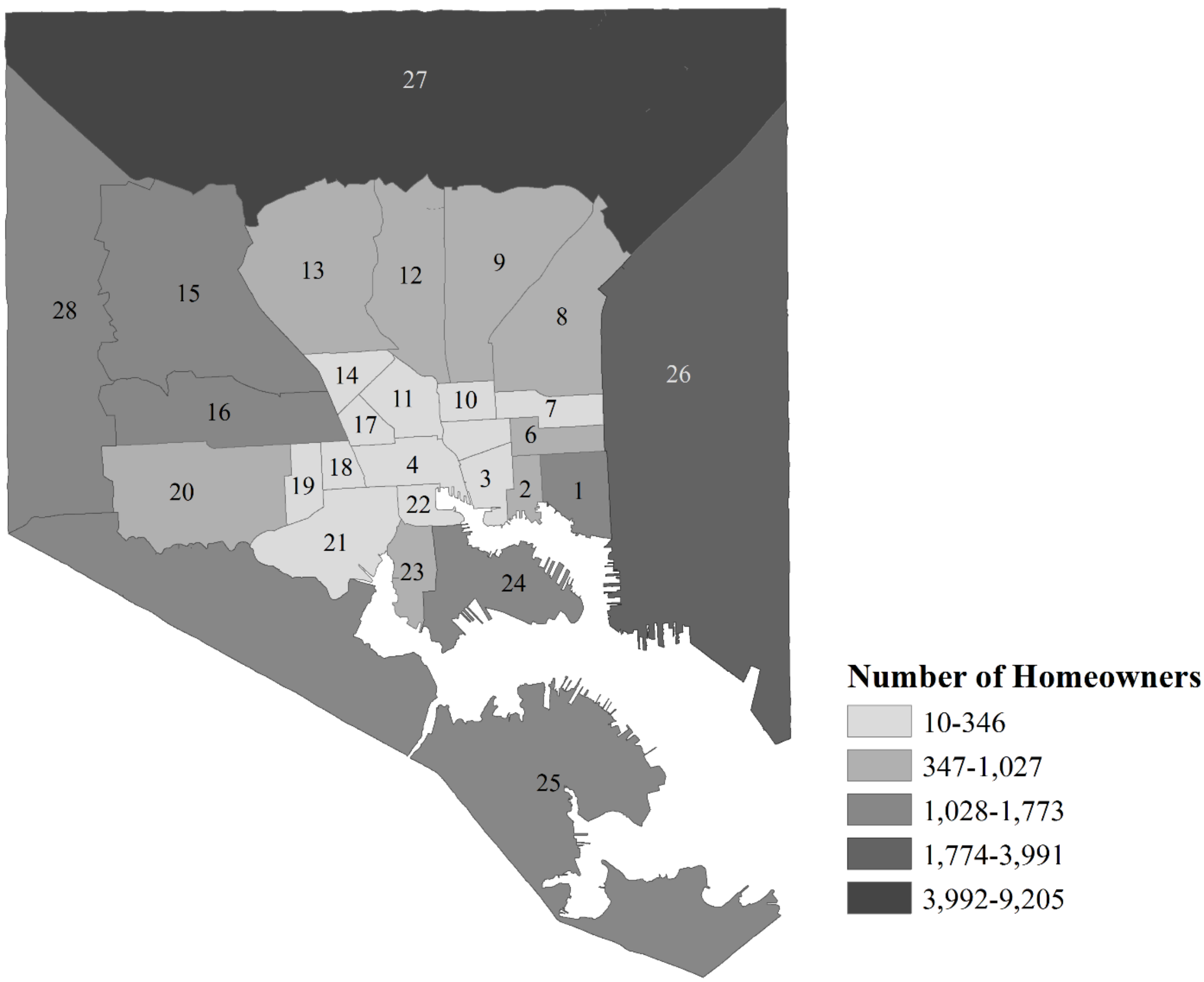
Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.23
Homeowners Receiving Homestead Credit
By Ward



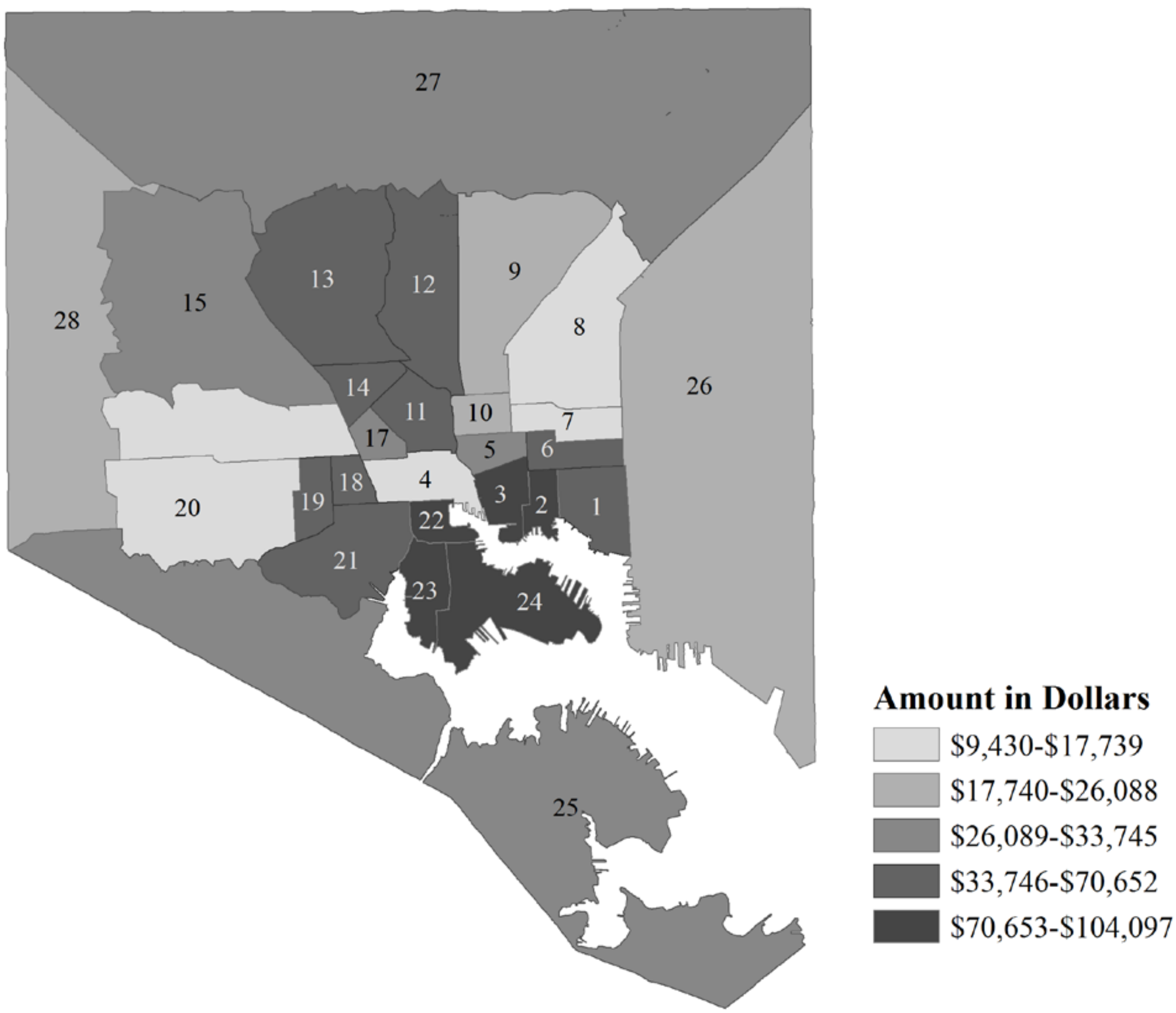
Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.24
Homeowners Not Receiving Homestead Credit
By Ward



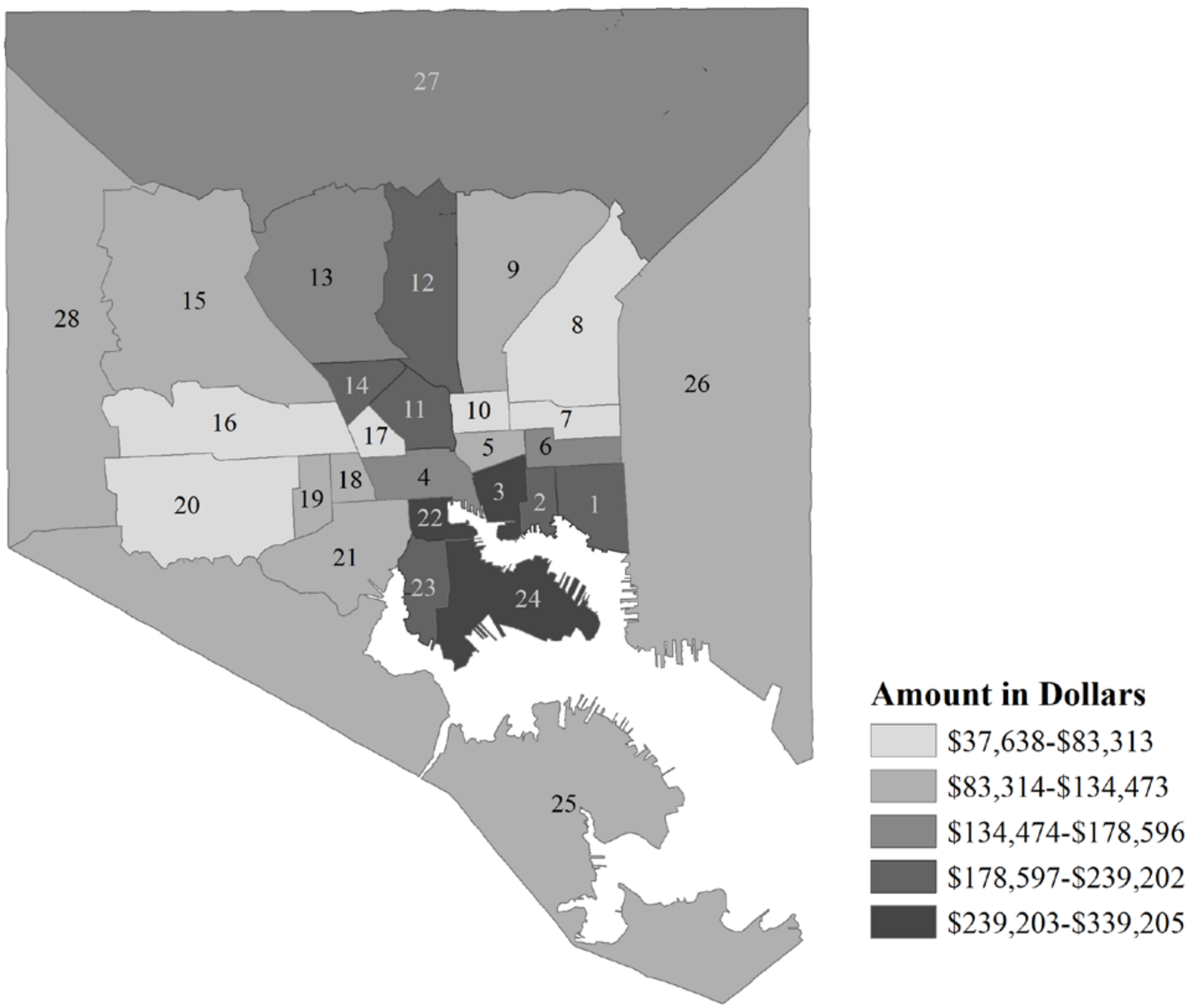
Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.25
Average Homestead Credit Amount
By Ward



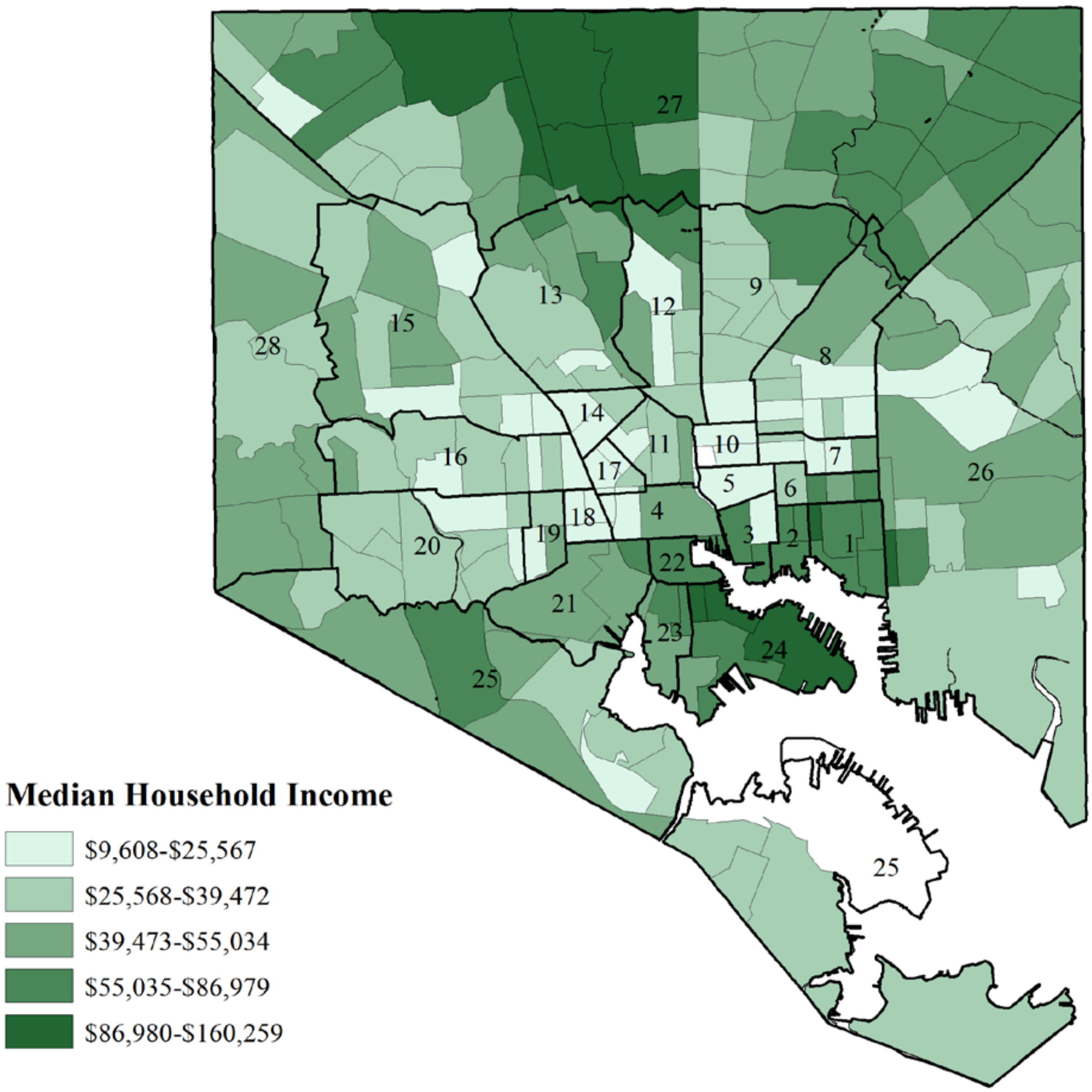
Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.26
Average Residential Assessment
By Ward



Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 4.27
Median Household Income



Source: Median household income for the period 2008-2012 from the 2008-2012 American Community Survey; State Data Center; Department of Legislative Services

Exhibit 4.28
Estimated Funding for THTC
Fiscal 2015-2020
($ in Millions)

Tax Year	THTC Funding
2015	$20.3
2016	21.8
2017	24.3
2018	28.7
2019	34.4
2020	38.0

Source: Baltimore City

Exhibit 4.29

Potential Effect on THTC Funding from a 10% Homestead Assessment Cap

Fiscal 2015

FY 2015 Improved Assessment	$11,214,562,900
Additional Revenue from 10% Cap	$7,814,058
THTC Rate	0.07%

	Homeowner 1	Homeowner 2	Homeowner 3	Homeowner 4	Homeowner 5
Improved Assessment	$87,600	$125,000	$163,000	$189,000	$221,000
Additional THTC Amount	$61	$87	$114	$132	$154
Real Property Tax Assessment	$117,600	$167,808	$218,822	$253,726	$296,685
Real Property Tax Bill	$2,644	$3,772	$4,919	$5,704	$6,669
Net Property Tax Bill	$2,583	$3,685	$4,806	$5,572	$6,515
FY 2015 Real Property Tax Rate	$2.2480	$2.2480	$2.2480	$2.2480	$2.2480
FY 2015 Effective Rate	$2.1961	$2.1961	$2.1961	$2.1961	$2.1961
Property Tax Rate Reduction	$0.0519	$0.0519	$0.0519	$0.0519	$0.0519

Source: Baltimore City; Department of Legislative Services

Exhibit 4.30

Additional THTC Resulting Funding from 10% Homestead Assessment Cap, by Ward

Ward	Average Assessment	Assumed Improved Assessment	Additional THTC
1	$226,427	$168,665	$118
2	239,202	178,181	124
3	269,789	200,965	140
4	171,961	128,093	89
5	100,595	74,933	52
6	165,005	122,912	86
7	37,638	28,036	20
8	77,911	58,036	40
9	101,400	75,533	53
10	69,442	51,727	36
11	217,367	161,916	113
12	216,483	161,258	112
13	160,732	119,729	83
14	205,278	152,911	107
15	96,226	71,679	50
16	64,677	48,177	34
17	83,313	62,060	43
18	94,959	70,735	49
19	97,221	72,419	50
20	69,961	52,114	36
21	134,473	100,169	70
22	339,205	252,673	176
23	235,389	175,341	122
24	280,345	208,828	146
25	117,215	87,313	61
26	124,102	92,443	64
27	178,596	133,036	93
28	132,003	98,328	69
Citywide	**$154,756**	**$115,277**	**$80**

Source: State Department of Assessments and Taxation; Baltimore City; Department of Legislative Services

Chapter 5. Findings and Policy Options

Findings

As discussed, the Homestead Property Tax Credit Program limits the annual increase in taxable assessments for owner-occupied residential properties to 10% or less. During periods of increasing assessments, property tax revenues are more adversely affected as more homeowners receive larger homestead tax credits. This is particularly true in jurisdictions, such as Baltimore City, that have low homestead assessment caps. In Baltimore City, the forgone revenue resulting from the homestead tax credit reached its peak in fiscal 2010 and 2011 which coincided with significant real property assessment increases that occurred between fiscal 2005 and 2010.

During times of flat or decreasing assessments, jurisdictions with higher caps gain back assessable base that was lost to the homestead credit at a much faster rate than those jurisdictions with lower assessment caps. Therefore, increasing the city's assessment cap to 10% will accelerate the recapture of revenues from the homestead property tax credit.

Increasing the city's homestead assessment cap will have the effect of reducing the forgone revenue associated with the cap, and thereby increasing property tax revenue for the city at a faster rate than will occur if the cap remains at 4% and assessments remain the same. The amount of the revenue increase depends on the new assessment cap percentage chosen by the city. In addition, the amount of any revenue increase depends on the cost of the program in the year in which the new cap percentage takes effect. In any year, Baltimore City will forgo some amount of property tax revenue to the homestead tax credit. The amount of forgone revenues in any year depends on past and present residential real property assessments. As shown in Appendix 3, Baltimore City is estimated to forgo approximately $39 million in fiscal 2017 due to the homestead credit. If assessments remain relatively constant and the estimated effect of the homestead tax credit on city property tax revenues continues to decline as fewer homeowners receive a benefit from the credit, the city will effectively realize slightly more in property tax revenues as the value of the credit diminishes. If the city were to increase its assessment cap, the recapture of this money will be accelerated. However, it cannot be reliably estimated in how many years this recapture may occur, only that it will occur quicker than if the city were to not increase its assessment cap. To the extent that assessments increase, the forgone revenue associated with the homestead credit will increase as well.

Baltimore City has had a 4% assessment cap since the counties were authorized to set their assessment caps below 10%, beginning July 1, 1991 (fiscal 1992). Due to minimal assessment increases during the 1990s homeowners built up very little homestead credit. In fact, fiscal 1992 was the only year in the 1990s, after the city lowered its cap to 4% that the city experienced assessment growth of over 4% (4.1%). This is why there is very little difference in the average homestead credit between residents who have owned their homes for more than five years, as shown in Appendix 6. Most of the buildup of homestead credits by homeowners, and therefore foregone revenue to the city, occurred between fiscal 2005 and 2010 when assessment increases in the city were at their peak. This also corresponds to the most foregone revenue experienced by the city resulting from the credit. Therefore, it is important to note that any revenue increase from increasing the city's cap to 10% will be less than it was five years ago, at the height of the housing boom when the homestead tax credit was providing maximum relief to homeowners. When the amount of foregone revenue from the homestead is greatest, that is when the greatest amount of revenue can be realized from increasing the cap. Increasing the cap in the future will increase property tax revenues in the short term as the recapturing of the base lost to the homestead credit is accelerated because taxable assessments will catch up with market assessments at a quicker rate with a higher assessment cap. It is also important to note that any revenue increase resulting from an increased homestead assessment cap will be a very small percentage of real property revenues as a whole.

The homestead credit tends to shift the property tax burden away from homes with rapid growth in value toward properties experiencing less growth in value. In addition, the application of the homestead credit during periods of significant increases in home assessments tends to result in a general shift of the property tax burden away from owner-occupied dwellings toward other property that is subject to the property tax. The homestead credit can also result in significant inequality between the property tax treatment of similarly valued homes, depending on whether and for how long one or the other property has been eligible for the credit. However, during times of decreasing or flat assessments, such as taking place now, the opposite of these characteristics of the tax credit tend to occur. As assessments decrease, fewer properties are able to use that credit, thereby reducing the overall cost of the program on city property tax revenues and equalizing the treatment of different properties.

Policy Options

The Department of Legislative Services has identified four options regarding the homestead property tax credit for Baltimore City to consider.

Option 1 – Stay the course and leave the homestead assessment cap at 4%

Under current projections/conditions, the foregone revenue associated with the homestead property tax credit in Baltimore City will continue to decrease for at least the next five years. Over time, if conditions remain relatively constant, the city will gradually recoup the assessable base lost to the homestead property tax credit as taxable assessments gradually catch up with market assessments, and therefore the city will realize somewhat more property tax revenue in each year. However, this will change if and when assessments begin to increase.

Option 2 – Increase the homestead assessment cap to 10% and use additional funds for city programs

The city is projected to lose approximately $39 million to the homestead credit in fiscal 2017, which under State law is the earliest that the city can alter its homestead assessment cap; if the city has a 10% cap in fiscal 2017, the city could realize an additional $6.8 million in real property tax revenue in fiscal 2017. It will realize additional revenue beyond fiscal 2017 as taxable assessments continue to catch up with market assessments, but the amount of the additional revenue that the city can receive in the out-years cannot be reliably estimated as it depends on how fast homeowners lose their homestead credits and the amounts that they lose. If assessments remain relatively stable as projected, the amount of additional revenue with a 10% cap will decline and then disappear over the next several years. At this point, the city will have recaptured most or all foregone revenue associated with the homestead credit. If, however, assessments increase significantly, the additional revenue will correspondingly increase.

Any additional revenue realized from an increased assessment cap could be used as additional general fund revenue to fund other city programs. Because the amount of revenue from an increased assessment cap is uncertain in the out years, using the revenue from an increased cap for general spending, does not lock the city into a property tax rate cut that may or not be offset by the additional revenue from an increased assessment cap.

Option 3 – Increase the homestead assessment cap to 10% and reduce the city's real property tax rate accordingly

A reduction in the city's property tax rate will result in less property tax revenue for the city; however, combining the reduction with an increase in the homestead assessment cap could result in no net loss in revenues for several years. The city can likely use an additional $6.8 million in revenue in fiscal 2017 through 2019 to provide a real property tax cut of $0.0188 in each of those years, so that the city can reduce the real property tax rate by a total of $0.056 and remain essentially revenue neutral at least in the near term. The city could continue to reduce its real property tax rate in each year that it realizes additional revenue from the increased assessment cap.

However, as taxable assessments catch up with market assessments at some point in the future, the city will no longer be realizing additional revenues from the increased cap; at this point, any property tax rate reduction implemented by the city may not be offset by increased revenue, and the rate reductions may no longer be revenue neutral.

An across the board real property tax rate cut will provide property tax relief to all property owners in Baltimore City. Increasing the homestead assessment cap to fund the property tax rate reduction for all property owners has the effect of increasing taxes on certain homeowners to fund property tax reductions for commercial property and other property owners, which may not be consistent with the city's goal of increasing its population over the next several years.

Option 4 – Increase the homestead assessment cap to 10% and use additional revenue to provide additional funding for the Targeted Homeowners Tax Credit Program

If the city wishes to use the increased revenue from a higher homestead assessment cap to fund property tax relief, it could use the revenue to increase property tax relief for *homeowners* under the Targeted Homeowners Tax Credit (THTC) program. As with Option 3, the higher homestead cap may initially offset the revenue loss from an enhanced THTC, but as assessments catch up with market assessments, this would no longer be the case.

Using the funds from an increased assessment cap in this manner may be a more efficient way to achieve the city's goals than an across the board tax cut for several reasons. First, it targets tax relief to homeowners only, including homeowners who have just purchased their properties, which may encourage people to move into the city or to stay in the city in the case of city residents who are looking for a new home. This is consistent with the city's goal of increasing its population.

Second, if city casino revenue continues to be below projections as it has been over the first three months of casino operations, revenue from a higher homestead cap could be used to make up any shortfalls and keep the city on track to achieve its goal of providing $0.20 of property tax relief by 2020. Or if casino revenue improves, the added revenue could be used to bolster the tax relief provided to homeowners under the program in a given year.

Third, because the property tax relief under the THTC that would be provided would be allocated among fewer property owners than under an across the board cut, the amount of property tax relief provided to each property owner is larger and more meaningful.

Fourth, increasing funding for the THTC through revenue generated from an increased assessment cap may be a more effective way to provide property tax relief to all homeowners. More than one-third of owner-occupied properties in Baltimore City currently receive no relief at all under the homestead tax credit. This is due to the fact that the homes were purchased more recently or are located in areas that have not experienced significant assessment increases. Data show that homeowners who do not receive the homestead tax credit disproportionately own less expensive and smaller homes than homeowners who do receive the credit. The homestead credit tends to benefit homeowners in "hot" neighborhoods where assessments have been increasing rapidly, often due to gentrification. The largest homestead credits are provided to homeowners in such relatively affluent neighborhoods. Using revenue raised from a higher homestead cap to increase the THTC would allow property tax relief to be spread broadly among all homeowners in all parts of the city.

Appendix 1. Demographic Profile

Households and Families in Baltimore City

According to the U.S. Census Bureau's 2010-2012 American Community Survey there were 241,000 households in Baltimore City. The average household size was 2.5 people. Families made up 52% of the households in Baltimore City. This figure includes both married-couple families (24%) and other families (29%). Of other families, 12% are female householder families with no husband present and children under age 18. Nonfamily households made up 48% of all households in Baltimore City. Most of the nonfamily households were people living alone, but some were composed of people living in households in which no one was related to the householder. In Baltimore City, 27% of all households have one or more people under the age of 18, and 24% of all households have one or more people age 65 and over.

Median Household Income

Exhibit A.1 illustrates the median household income of residents across all of Maryland by county. Baltimore City, at $39,788, has the third lowest median household income out of all other Maryland counties. Only Allegany and Somerset counties have lower median household incomes than Baltimore City. Howard County has the highest median household income in Maryland at $106,222.

Housing Characteristics

Exhibit A.2 shows selected statistics related to housing in Baltimore City. The total number of housing units in Baltimore City is about 296,200. Of those units, approximately 81% are occupied and approximately 19% are vacant. Of the occupied housing units, roughly two thirds of owners moved into their units after the year 2000. Baltimore City has a higher renter population than owner population. About 47% of occupied housing units are owner-occupied, while renters make up about 53% of the population living in the city. The median value of owner-occupied housing is $156,000. Statewide, approximately 67% of housing units are owner-occupied, and the median value of owner-occupied property is $289,300. **Exhibit A.3** shows the percentage of owners versus renters in occupied housing units in Maryland. Baltimore City has the lowest percentage of housing units that are owner occupied at about 47%. Queen Anne's County has the highest percentage of owner-occupied units at about 86%. Statewide, 67% of housing units are owner-occupied.

Exhibit A.1
Maryland Median Household Income

County	Amount	Ranking
Allegany	$39,166	23
Anne Arundel	86,454	5
Baltimore City	**39,788**	**22**
Baltimore	64,306	13
Calvert	92,517	3
Caroline	58,006	16
Carroll	82,581	8
Cecil	64,763	12
Charles	91,801	4
Dorchester	42,885	21
Frederick	82,311	9
Garrett	44,223	20
Harford	78,448	10
Howard	106,222	1
Kent	53,854	18
Montgomery	94,767	2
Prince George’s	72,254	11
Queen Anne’s	85,334	7
St. Mary’s	86,209	6
Somerset	37,733	24
Talbot	59,307	14
Washington	54,239	17
Wicomico	50,523	19
Worcester	58,687	15
Statewide	**$71,707**	

Source: U.S. Census Bureau, American Community Survey 2010-2012 Averages

Exhibit A.2

Selected Housing Statistics for Baltimore City and Maryland

	Baltimore City		Maryland	
	Estimate	**Percent**	**Estimate**	**Percent**
Total Housing Units	296,227		2,387,867	
Occupied Housing Units	240,575	81.2%	2,141,086	89.7%
Vacant Housing Units	55,652	18.8%	246,781	10.3%
Year of Householder Occupancy				
Occupied Housing Units	240,575		2,141,086	
Moved in 2010 or later	46,796	19.5%	335,492	15.7%
Moved in 2000 to 2009	113,740	47.3%	1,007,425	47.1%
Moved in 1990 to 1999	32,800	13.6%	386,496	18.1%
Moved in 1980 to 1989	18,406	7.7%	199,678	9.3%
Moved in 1970 to 1979	13,935	5.8%	115,767	5.4%
Moved in 1969 or earlier	14,898	6.2%	96,228	4.5%
Owner Occupied	113,429	47.1%	1,436,116	67.1%
Renter Occupied	127,146	52.9%	704,970	32.9%
Median Value of Owner Occupied Units	$156,000		$289,300	

Source: U.S. Census Bureau, American Community Survey 2010-2012 Averages

Exhibit A.3

Percentage of Owners vs. Renters in Maryland

County	Owner Occupied	Renter Occupied
Allegany	69.0%	31.0%
Anne Arundel	74.0%	26.0%
Baltimore City	**47.1%**	**52.9%**
Baltimore	65.8%	34.2%
Calvert	80.7%	19.3%
Caroline	71.2%	28.8%
Carroll	83.4%	16.6%
Cecil	71.2%	28.8%
Charles	77.3%	22.7%
Dorchester	66.3%	33.7%
Frederick	75.0%	25.0%
Garrett	75.4%	24.6%
Harford	79.1%	20.9%
Howard	73.6%	26.4%
Kent	70.5%	29.5%
Montgomery	66.5%	33.5%
Prince George's	62.6%	27.4%
Queen Anne's	85.5%	14.2%
St. Mary's	71.5%	28.5%
Somerset	68.9%	31.1%
Talbot	71.8%	28.2%
Washington	65.9%	34.1%
Wicomico	63.5%	36.5%
Worcester	78.7%	21.3%
Statewide	**67.1%**	**32.9%**

Source: U.S. Census Bureau, American Community Survey 2010-2012 Averages

Appendix 2. Average Annual Change in Total County Assessable Base

County	FY 1970-1993	FY 1993-2003	FY 2003-2010	FY 2010-2014	FY 2014-2017
Allegany	6.3%	2.1%	5.8%	0.6%	-0.5%
Anne Arundel	11.1%	4.1%	12.5%	-3.2%	2.6%
Baltimore City	4.5%	0.7%	9.9%	-2.5%	1.0%
Baltimore	7.9%	2.8%	9.9%	-3.1%	1.0%
Calvert	15.6%	4.5%	11.9%	-3.1%	0.0%
Caroline	8.8%	4.9%	12.8%	-4.6%	-1.5%
Carroll	10.3%	5.4%	11.6%	-4.2%	1.1%
Cecil	9.7%	4.9%	11.5%	-3.6%	0.5%
Charles	11.8%	5.5%	12.6%	-4.7%	1.0%
Dorchester	7.8%	3.4%	11.5%	-4.1%	-1.4%
Frederick	10.0%	5.6%	12.5%	-5.3%	1.5%
Garrett	9.2%	5.1%	11.9%	0.7%	-2.7%
Harford	9.5%	5.5%	11.1%	-1.7%	0.4%
Howard	13.3%	5.2%	12.1%	-3.0%	2.3%
Kent	7.9%	3.5%	12.0%	-1.6%	-0.4%
Montgomery	10.1%	2.8%	11.6%	-3.2%	3.5%
Prince George’s	8.1%	2.5%	12.4%	-6.3%	0.9%
Queen Anne’s	10.8%	5.5%	14.0%	-4.0%	-0.2%
St. Mary’s	11.7%	5.5%	12.8%	-1.6%	0.2%
Somerset	7.2%	3.2%	12.8%	-4.2%	-0.7%
Talbot	10.1%	3.9%	13.9%	-3.4%	-1.9%
Washington	7.1%	5.0%	11.3%	-4.4%	0.1%
Wicomico	7.7%	3.8%	9.6%	-5.1%	-0.3%
Worcester	11.6%	3.7%	15.0%	-6.4%	0.5%
Total	**8.9%**	**3.4%**	**11.7%**	**-3.7%**	**1.7%**

Source: State Department of Assessments and Taxation

Appendix 3. Foregone Property Tax Revenue From Homestead Property Tax Program – Baltimore City
Fiscal 2004-2020

Foregone Revenue @	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
4% Cap	$12,567,352	$18,115,980	$25,620,561	$38,359,736	$72,397,056	$117,358,466	$154,971,765	$148,053,069	$117,758,693
5% Cap	11,764,466	17,004,367	24,331,029	36,888,783	70,397,462	115,033,786	152,481,842	145,657,447	115,584,567
6% Cap	11,025,285	16,038,883	23,155,275	35,511,476	68,425,586	112,723,520	150,006,800	143,280,681	113,430,155
7% Cap	10,343,195	15,152,676	22,081,846	34,218,411	66,485,692	110,430,313	147,548,663	140,921,426	111,294,071
8% Cap	9,715,525	14,367,686	21,092,555	33,008,858	64,575,815	108,166,962	145,108,591	138,580,436	109,180,151
9% Cap	9,138,385	13,618,036	20,165,911	31,871,582	62,694,768	105,923,184	142,686,292	136,260,989	107,085,717
10% Cap	8,608,379	12,916,837	19,292,037	30,794,315	60,844,430	103,698,706	140,280,855	133,960,928	105,010,315

Foregone Revenue @	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
4% Cap	$93,555,914	$66,262,744	$44,539,940	$42,595,104	$39,063,868	$34,342,868	$30,142,613	$26,451,694
5% Cap	91,550,294	64,489,600	43,135,564	41,189,466	37,774,760	33,209,553	29,147,907	25,578,788
6% Cap	89,569,036	62,754,967	41,774,833	39,911,612	36,602,844	32,179,267	28,243,628	24,785,237
7% Cap	87,611,311	61,057,763	40,456,492	38,633,759	35,430,928	31,148,981	27,339,350	23,991,686
8% Cap	85,675,967	59,397,794	39,178,050	37,483,692	34,376,204	30,221,724	26,525,499	23,277,491
9% Cap	83,760,082	57,798,942	37,935,064	36,333,624	33,321,479	29,294,466	25,711,649	22,563,295
10% Cap	81,863,168	56,190,900	36,725,882	35,226,151	32,305,819	28,401,552	24,927,941	21,875,551

Source: Baltimore City; State Department of Assessments and Taxation; Department of Legislative Services

Appendix 4. Potential Revenue Increase from Increased Homestead Assessment Cap

Revenue Increase@	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
5% Cap	$802,887	$1,111,613	$1,289,533	$1,470,953	$1,999,594	$2,324,680	$2,489,923	$2,395,621	$2,174,126
6% Cap	1,542,068	2,077,096	2,465,287	2,848,260	3,971,470	4,634,946	4,964,964	4,772,388	4,328,538
7% Cap	2,224,157	2,963,304	3,538,715	4,141,324	5,911,364	6,928,153	7,423,102	7,131,642	6,464,622
8% Cap	2,851,828	3,748,294	4,528,006	5,350,878	7,821,241	9,191,504	9,863,174	9,472,633	8,578,542
9% Cap	3,428,968	4,497,944	5,454,650	6,488,154	9,702,288	11,435,282	12,285,472	11,792,080	10,672,976
10% Cap	3,958,974	5,199,143	6,328,525	7,565,421	11,552,626	13,659,760	14,690,909	14,092,141	12,748,378

Revenue Increase@	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
5% Cap	$2,005,620	$1,773,144	$1,404,376	$1,405,638	$1,289,108	$1,133,315	$994,706	$872,906
6% Cap	3,986,878	3,507,778	2,765,107	2,683,492	2,461,024	2,163,601	1,898,985	1,666,457
7% Cap	5,944,603	5,204,981	4,083,447	3,961,345	3,632,940	3,193,887	2,803,263	2,460,008
8% Cap	7,879,947	6,864,950	5,361,890	5,111,412	4,687,664	4,121,144	3,617,114	3,174,203
9% Cap	9,795,832	8,463,802	6,604,876	6,261,480	5,742,389	5,048,402	4,430,964	3,888,399
10% Cap	11,692,746	10,071,844	7,814,058	7,368,953	6,758,049	5,941,316	5,214,672	4,576,143

Source: Department of Legislative Services

Appendix 5. Property Tax Rate Equivalent from Increased Homestead Assessment Cap

Tax Rate Equivalent @	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
5% Cap	$0.0044	$0.0058	$0.0062	$0.0064	$0.0076	$0.0074	$0.0069	$0.0064	$0.0061
6% Cap	$0.0085	$0.0107	$0.0119	$0.0124	$0.0151	$0.0148	$0.0138	$0.0127	$0.0122
7% Cap	$0.0122	$0.0153	$0.0171	$0.0181	$0.0225	$0.0221	$0.0206	$0.0190	$0.0182
8% Cap	$0.0156	$0.0194	$0.0218	$0.0234	$0.0297	$0.0293	$0.0274	$0.0252	$0.0241
9% Cap	$0.0188	$0.0233	$0.0263	$0.0283	$0.0369	$0.0365	$0.0341	$0.0314	$0.0300
10% Cap	$0.0217	$0.0269	$0.0305	$0.0330	$0.0439	$0.0436	$0.0407	$0.0375	$0.0359

Tax Rate Equivalent @	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
5% Cap	$0.0058	$0.0052	$0.0040	$0.0041	$0.0036	$0.0031	$0.0028	$0.0024
6% Cap	$0.0115	$0.0103	$0.0079	$0.0077	$0.0068	$0.0060	$0.0053	$0.0046
7% Cap	$0.0172	$0.0153	$0.0117	$0.0114	$0.0101	$0.0088	$0.0078	$0.0068
8% Cap	$0.0228	$0.0201	$0.0154	$0.0148	$0.0130	$0.0114	$0.0101	$0.0088
9% Cap	$0.0283	$0.0248	$0.0190	$0.0181	$0.0160	$0.0139	$0.0124	$0.0108
10% Cap	$0.0338	$0.0296	$0.0225	$0.0213	$0.0188	$0.0164	$0.0145	$0.0127

Source: Department of Legislative Services

Appendix 6. Increased Property Taxes Resulting from 10% Homestead Assessment Cap, by City Housing Characteristics

Housing Characteristics	Homestead Recipients	Average Assessment	Average Credit	Current Tax Bill	Tax Bill @ 10% Assessment Cap	Difference
Years of Ownership						
0-5 years	2,176	$167,614	$25,136	$3,203	$3,301	$98
6-10 years	11,404	155,192	32,805	2,751	2,879	128
11-15 years	11,211	161,077	37,098	2,787	2,931	144
16-20 years	8,094	155,983	38,040	2,651	2,799	148
21-25 years	5,091	153,051	36,193	2,627	2,768	141
26 or more years	18,678	123,192	34,270	1,999	2,132	133
Property Value						
$99,999 or less	12,005	70,646	14,114	1,271	1,326	55
$100,000 - $149,999	25,599	122,214	26,263	2,157	2,259	102
$150,000 - $199,999	9,510	167,139	45,953	2,724	2,903	179
$200,000 - $249,999	3,550	218,186	62,532	3,499	3,742	243
$250,000 - $499,999	4,945	323,261	71,532	5,659	5,937	278
$500,000 - $999,999	961	603,738	106,421	11,180	11,594	414
$1,000,000 - $1,999,999	70	1,160,036	243,760	20,598	21,546	948
$2,000,000 or greater	3	2,390,078	1,239,170	25,872	30,692	4,819
Type of Dwelling						
Single Family	16,114	200,109	38,129	3,641	3,790	148
Townhouse / Rowhouse	39,065	137,603	33,615	2,338	2,468	131
Condominium	1,391	172,462	34,151	3,109	3,242	133

Source: Department of Legislative Services

Appendix 7. Increased Property Taxes Resulting from 10% Homestead Assessment Cap and Property Tax Rate Reduction, by City Housing Characteristics

Housing Characteristics	Homestead Recipients	Average Assessment	Average Credit	Current Tax Bill	New Tax Bill	Difference
Years of Ownership						
0-5 years	2,176	$167,614	$25,136	$3,203	$3,268	$65
6-10 years	11,404	155,192	32,805	2,751	2,850	99
11-15 years	11,211	161,077	37,098	2,787	2,902	115
16-20 years	8,094	155,983	38,040	2,651	2,771	120
21-25 years	5,091	153,051	36,193	2,627	2,740	113
26 or more years	18,678	123,192	34,270	1,999	2,111	112
Property Value						
$99,999 or less	12,005	70,646	14,114	1,271	1,312	42
$100,000 - $149,999	25,599	122,214	26,263	2,157	2,237	80
$150,000 - $199,999	9,510	167,139	45,953	2,724	2,874	150
$200,000 - $249,999	3,550	218,186	62,532	3,499	3,705	206
$250,000 - $499,999	4,945	323,261	71,532	5,659	5,878	219
$500,000 - $999,999	961	603,738	106,421	11,180	11,478	298
$1,000,000 - $1,999,999	70	1,160,036	243,760	20,598	21,331	733
$2,000,000 or greater	3	2,390,078	1,239,170	25,872	30,385	4,512
Type of Dwelling						
Single Family	16,114	200,109	38,129	3,641	3,752	110
Townhouse / Rowhouse	39,065	137,603	33,615	2,338	2,444	106
Condominium	1,391	172,462	34,151	3,109	3,210	100

Source: Department of Legislative Services

Appendix 8. Increased Property Taxes Resulting from 10% Homestead Assessment Cap and Additional Funding Through THTC, by City Housing Characteristics

Housing Characteristics	Homestead Recipients	Average Assessment	Average Credit	Current Tax Bill	New Tax Bill	Difference
Years of Ownership						
0-5 years	2,176	$167,614	$25,136	$3,203	$3,224	$22
6-10 years	11,404	155,192	32,805	2,751	2,812	61
11-15 years	11,211	161,077	37,098	2,787	2,864	77
16-20 years	8,094	155,983	38,040	2,651	2,735	83
21-25 years	5,091	153,051	36,193	2,627	2,704	77
26 or more years	18,678	123,192	34,270	1,999	2,083	84
Property Value						
$99,999 or less	12,005	70,646	14,114	1,271	1,295	24
$100,000 - $149,999	25,599	122,214	26,263	2,157	2,207	50
$150,000 - $199,999	9,510	167,139	45,953	2,724	2,836	112
$200,000 - $249,999	3,550	218,186	62,532	3,499	3,656	157
$250,000 - $499,999	4,945	323,261	71,532	5,659	5,800	141
$500,000 - $999,999	961	603,738	106,421	11,180	11,326	146
$1,000,000 - $1,999,999	70	1,160,036	243,760	20,598	21,048	451
$2,000,000 or greater	3	2,390,078	1,239,170	25,872	29,983	4,111
Type of Dwelling						
Single Family	16,114	200,109	38,129	3,641	3,702	61
Townhouse / Rowhouse	39,065	137,603	33,615	2,338	2,411	74
Condominium	1,391	172,462	34,151	3,109	3,167	58

Source: Department of Legislative Services