

MEMORANDUM

July 22, 2019

TO: Government Operations and Fiscal Policy Committee

FROM: Amanda Mihill, Legislative Attorney *amihill/aw*

SUBJECT: Expedited Bill 21-19, Property tax credit - elderly individuals and retired military services member – surviving spouse

PURPOSE: Worksession – Committee to make recommendations on Bill

Expected attendees:

James Babb, Acting Division Chief - Treasury

Expedited Bill 21-19, Property tax credit - elderly individuals and retired military services member – surviving spouse, sponsored by Lead Sponsors Councilmember Rice and Council Vice President Katz and Co-Sponsors Council President Navarro and Councilmembers Albornoz and Glass, was introduced on June 25. A public hearing was held on July 16, at which the lone speaker David Peterson supported the Bill on behalf of the members of the local Montgomery County Chapter of the Military Officers Association of America (©6).¹

Bill 21-19 would expand the property tax credit for surviving spouses of retired military services members. The bill would implement changes to the state enabling law made during the 2019 General Assembly session. Under Bill 21-19, a surviving spouse would be eligible for the credit if:

- the individual is a surviving spouse of a retired member of the uniformed services, the military reserves, or the national guard;
- the surviving spouse is at least 65 years old; and
- the surviving spouse has not remarried.

Testimony/Correspondence

The Council received testimony and correspondence from individuals supportive of Bill 21-19. The Council also received correspondence from Ms. Sharon Brown urging the Council amend Bill 21-19 to extend the tax credit to disabled veterans (©7). Council staff notes that the County's

¹ #SurvivingSpousesTaxCredit

authority to enact a tax credit is specifically granted by the State. In this case, the State has not authorized the County to provide a tax credit as requested by Ms. Brown.

Council staff recommendation

Council staff recommends the Council enact Bill 21-19

This packet contains:	<u>Circle #</u>
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Expedited Bill No. 21-19
Concerning: Property tax credit -
elderly individuals and retired military
services member – surviving spouse
Revised: 6/20/2019 Draft No. 3
Introduced: June 25, 2019
Expires: December 26, 2020
Enacted: _____
Executive: _____
Effective: July 1, 2019
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsors: Councilmember Rice and Council Vice President Katz
Co-Sponsors: Council President Navarro and Councilmembers Alborno and Glass

AN EXPEDITED ACT to:

- (1) expand the property tax credit for surviving spouses of retired military services members; and
- (2) generally amend the property tax credit for elderly individuals and retired military services members.

By amending

Montgomery County Code
Chapter 52, Taxation
Section 52-110

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

LEGISLATIVE REQUEST REPORT
Expedited Bill 21-19

Property tax credit - elderly individuals and retired military services member – surviving spouse

DESCRIPTION: Expedited Bill 21-19 would expand the property tax credit for surviving spouses of retired military services members.

PROBLEM: State law authorizes a tax credit for surviving spouses of retired uniformed services members, military reserves, or national guard, but the County has not implemented recent updates to the state enabling law.

GOALS AND OBJECTIVES: To implement changes to the state enabling law made during the 2019 General Assembly session.

COORDINATION:

FISCAL IMPACT: To be requested

ECONOMIC IMPACT: To be requested

EVALUATION: To be requested

EXPERIENCE ELSEWHERE: To be researched

SOURCES OF INFORMATION: Amanda Mihill, Legislative Attorney, 240-777-7815

APPLICATION WITHIN MUNICIPALITIES: To be researched

PENALTIES: n/a

Chapter 36

(Senate Bill 816)

AN ACT concerning

Property Tax Credit – Surviving Spouse of Veteran

FOR the purpose of altering eligibility for a credit authorized against the county or municipal corporation property tax for the surviving spouses of certain retired veterans; providing that certain surviving spouses who are under a certain age may continue to receive the tax credit if the surviving spouses qualified for and received the tax credit before a certain date; providing for the application of this Act; and generally relating to eligibility for a property tax credit for the surviving spouses of certain veterans.

BY repealing and reenacting, with amendments,

Article – Tax – Property

Section 9–258

Annotated Code of Maryland

(2012 Replacement Volume and 2018 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Tax – Property

9–258.

(a) (1) In this section the following words have the meanings indicated.

(2) “Dwelling” has the meaning stated in § 9–105 of this title.

(3) “Eligible individual” means:

(i) an individual who is at least 65 years old and has lived in the same dwelling for at least the preceding 40 years;

(ii) an individual who is at least 65 years old and is a retired member of the uniformed services of the United States as defined in 10 U.S.C. § 101, the military reserves, or the National Guard; or

(iii) a surviving spouse, who **IS AT LEAST 65 YEARS OLD AND** has not remarried, of [an individual described in item (ii) of this paragraph] **A RETIRED MEMBER OF THE UNIFORMED SERVICES OF THE UNITED STATES AS DEFINED IN 10 U.S.C. § 101, THE MILITARY RESERVES, OR THE NATIONAL GUARD.**

(b) The Mayor and City Council of Baltimore City or the governing body of a county or municipal corporation may grant, by law, a property tax credit under this section against the county or municipal corporation property tax imposed on the dwelling of an eligible individual.

(c) The property tax credit allowed under this section may:

(1) not exceed 20% of the county or municipal corporation property tax imposed on the property; and

(2) be granted for a period of up to 5 years.

(d) The Mayor and City Council of Baltimore City or the governing body of a county or municipal corporation may provide, by law, for:

(1) the maximum assessed value of a dwelling that is eligible for the tax credit under this section;

(2) additional eligibility criteria for the tax credit under this section;

(3) regulations and procedures for the application and uniform processing of requests for the tax credit; and

(4) any other provision necessary to carry out the tax credit under this section.

SECTION 2. AND BE IT FURTHER ENACTED, That a surviving spouse, who is under the age of 65 years and has not remarried, of a retired member of the uniformed services of the United States as defined in 10 U.S.C. § 101, the military reserves, or the National Guard, may continue to receive the tax credit under § 9-258 of the Tax – Property Article as enacted by Section 1 of this Act if the surviving spouse qualified for and received the tax credit before June 1, 2019.

SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2019, and shall be applicable to all taxable years beginning after June 30, 2019.

Approved by the Governor, April 18, 2019.



Montgomery County Chapter
P.O. Box 34127
West Bethesda, Maryland 20827-0127

Testimony of David H. Peterson in Support of Adopting Expedited Council Bill 21-19

Good afternoon, President Navarro and members of the Council. My name is David H. Peterson and I am here today on behalf of the members of the local Montgomery County affiliate of the Military Officers Association of America (MOAA). MOAA is the fourth largest military service organization in the country, and its 400+ local affiliate chapters are non-partisan advocates for the Nation's uniformed services community.

I appeared before you previously, advocating for Council legislation dealing with property tax credit eligibility for uniformed service retirees and surviving spouses, consistent with State authorizing legislation. I return today to advocate for Expedited Bill 21-19, to bring the current County legislation into conformance with SB816 and HB81, sponsored by Senator Smith and Delegate Wilkins, recently passed in this year's General Assembly session.

These two 2019 bills provided a needed clarification on the terms of eligibility for the property tax credit specific to surviving spouses of eligible retired veterans. They were supported by testimony from both the MOAA Maryland Council of Chapters and by the newly established Maryland Military Coalition, as well as the Montgomery County Chapter. Each was passed unanimously, so controversy associated with the conforming County legislation seems unlikely. The Montgomery County Chapter endorses the bill before you, thanks its sponsors, and respectfully asks for **Favorable** action by the Council.

I thank you for this opportunity to share the views of the Montgomery County Chapter on this legislation. I will be happy to answer any questions that you may have.

Respectfully submitted:

Captain David H Peterson, NOAA (Ret)
President, Montgomery County Chapter.

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From: Navarro's Office, Councilmember [Councilmember.Navarro@montgomerycountymd.gov]
Sent: Thursday, June 27, 2019 3:38:49 PM
To: Council President
Subject: FW: Expedited Bill 21-19 Property tax credit - East County Citizen Constituent Addendum Request

From: BROWN, SHARON <SHARON.BROWN@cbp.dhs.gov>
Sent: Thursday, June 27, 2019 3:35 PM
To: Rice's Office, Councilmember <Councilmember.Rice@montgomerycountymd.gov>; Ledner, Sharon <Sharon.Ledner@montgomerycountymd.gov>; Katz's Office, Councilmember <Councilmember.Katz@montgomerycountymd.gov>; Mandel-Trupp, Lisa <Lisa.Mandel-Trupp@montgomerycountymd.gov>; Navarro's Office, Councilmember <Councilmember.Navarro@montgomerycountymd.gov>; Ikheloa, Roland <Roland.Ikheloa@montgomerycountymd.gov>; Price, Benjamin <Benjamin.Price@montgomerycountymd.gov>
Cc: djwilhelm@verizon.net
Subject: Expedited Bill 21-19 Property tax credit - East County Citizen Constituent Addendum Request
Importance: High

[EXTERNAL EMAIL]

Good morning Councilmembers,

Thank you for expediting the above related bill. I had tentatively planned to attend the public hearing on July 16 at 1:30pm however a meeting for work was just scheduled
Re: Humanitarian Efforts at the US Southern Border.

The purpose of this message is to request an Addendum in this Bill to include the following: The Bill 21-19 tax credit should reasonably extend to include a similar discount or exemption for Disabled Veterans principal residence and who have a 30% or more VA disability rating.

I hope it makes sense to also consider tax breaks for Disabled Veterans who make Montgomery County their home. If there is other information which would educate me better please do not hesitate to share.

Thank you for your consideration.

Respectfully,

*Sharon Brown,
Contracting Officer
Office of Acquisition (OA)*

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OFFICE OF MANAGEMENT AND BUDGET

Marc Elrich
County Executive

Richard S. Madaleno
Director

MEMORANDUM

July 12, 2019

TO: Nancy Navarro, President, County Council

FROM: Richard S. Madaleno, Director, Office of Management and Budget *RSM*
Michael Coveyou, Acting Director, Department of Finance *Michael Coveyou*

SUBJECT: FEIS for Bill 21-19E, Property Tax Credit – Elderly Individuals and Retired
Military Service Member – Surviving Spouse

Please find attached the Fiscal and Economic Impact Statements for the
above-referenced legislation.

RSM:cm

cc: Andrew Kleine, Chief Administrative Officer
Fariba Kassiri, Deputy Chief Administrative Officer
Debbie Spielberg, Special Assistant to the County Executive
Dale Tibbitts, Special Assistant to the County Executive
Lisa Austin, Office of the County Executive
Barry Hudson, Director, Public Information Office
David Platt, Department of Finance
Dennis Hetman, Department of Finance
Anita Aryeetey, Office of Management and Budget
Monika Coble, Office of Management and Budget
Chrissy Mireles, Office of Management and Budget

Office of the Director

101 Monroe Street, 14th Floor • Rockville, Maryland 20850 • 240-777-2800
www.montgomerycountymd.gov/omb

Fiscal Impact Statement
Bill 21-19E – Property Tax Credit – Elderly Individuals and Retired Military Service Member – Surviving Spouse

1. Legislative Summary

Bill 21-19E would expand the property tax credit for surviving spouses of retired military services members. The bill would implement changes to the state enabling law made during the 2019 General Assembly session. Under Bill 21-19E, a surviving spouse would be eligible for the credit if the individual is a surviving spouse of a retired member of the uniformed services, the military reserves, or the national guard; the surviving spouse is at least 65 years old; and the surviving spouse has not remarried.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

Given that data on the number of surviving spouses is unavailable; it is difficult to determine the changes in County revenues and expenditures with any specificity.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

In levy year 2017, the total cost for retired military members was \$282,100. Finance assumes the total amount of the credit for surviving spouses could be at least the current amount of the total tax credit.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

Not applicable.

5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

Not applicable.

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

Not applicable. Bill 21-19E does not authorize future spending.

7. An estimate of the staff time needed to implement the bill.

Not applicable.

8. An explanation of how the addition of new staff responsibilities would affect other duties.

Not applicable.

9. An estimate of costs when an additional appropriation is needed.

No additional appropriation is needed to implement Bill 21-19E.

10. A description of any variable that could affect revenue and cost estimates.

See Question #2.

11. Ranges of revenue or expenditures that are uncertain or difficult to project.

Not applicable.

12. If a bill is likely to have no fiscal impact, why that is the case.

Not applicable.


13. Other fiscal impacts or comments.

Not applicable.

14. The following contributed to and concurred with this analysis:

David Platt, Department of Finance

Anita Aryeetey, Office of Management and Budget


Richard S. Madaleno, Director
Office of Management and Budget


Date

Economic Impact Statement
Bill 21-19E, Property Tax Credit – Elderly Individuals and Retired Military Service Member – Surviving Spouse

Background:

This legislation would expand the property tax credit to surviving spouses of members of the retired military services. State law authorizes a tax credit for surviving spouses of retired uniformed services members, or National Guard, but the County had not implemented recent updates to the state enabling law. Bill 21-19E would implement those updates.

1. The sources of information, assumptions, and methodologies used.

Sources of information include the fiscal and policy note from the Department of Legislative Services (DLS), Maryland General Assembly, and the *Tax Expenditure Report – October 2018*, Department of Finance (Finance).

According to the fiscal and policy note from DLS, “County and municipal property tax revenues may decrease beginning in fiscal year 2020, to the extent that local jurisdictions grant the property tax credit, and changes in existing eligibility requirements result in additional individuals becoming eligible for the property tax credit.”

According to data provided in the *Tax Expenditure Report – October 2018*, the total amount of property tax credits was approximately \$3.4 million issued to nearly 5,100 recipients that included property owners at least 65 years old and who lived in the dwelling for at least the preceding 40 years or the owner is at least 65 years old and a retired member of the Uniformed Services of the United States. The average property tax credit amounted to \$670 per recipient in levy year 2017. However, of the 5,100 recipients only 421 (8.3%) were retired military personnel resulting in a total estimated annual property tax credit of \$282,100 as a result of this legislation. Therefore, retired military personnel would increase their disposable income by that amount of the tax credit.

2. A description of any variable that could affect the economic impact estimates.

The most important variable that could affect the economic impact estimate is the number of surviving spouses. Since the data on the number of surviving spouses are not known, it is difficult to determine the economic impact with any specificity. However, given the amount of total property tax of \$282,100 for current retired military personnel, Finance assumes the total amount of the credit for surviving spouses could be at least the current amount of the total tax credit for retired military personnel.

Economic Impact Statement
Bill 21-19E, Property Tax Credit – Elderly Individuals and Retired Military Service
Member – Surviving Spouse


- 3. The Bill's positive or negative effect, if any on employment, spending, savings, investment, incomes, and property values in the County.**

The decrease in property taxes for residents affected by this legislation would have a positive impact on the disposable income of a surviving spouse that may benefit spending, savings, and investments in the County.

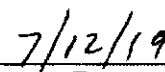
- 4. If a Bill is likely to have no economic impact, why is that the case?**

Please see paragraph 3.

- 5. The following contributed to or concurred with this analysis: David Platt, and Rob Hagedoorn, Finance.**



Michael Coveyou, Acting Director
Department of Finance



Date