

Review of 2017 Revenue Analysis

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Background

- MDCEP:
 - Nonpartisan, nonprofit, research and policy organization
 - Maryland's economy should offer and broadly shared, rising standard of living
- 2017: Analyzed potential revenue sources for Baltimore City Affordable Housing Trust Fund
 - Retrospective revenue estimates
 - Volatility
 - Fiscal, economic, legal, political considerations
- Research summary: <http://www.mdeconomy.org/revenue-options-for-baltimore-citys-affordable-housing-trust-fund/>

Revenue Options Analyzed

- New Construction Property Tax Capture
 - Hotel Tax Increase
 - Recordation Tax Increase
 - Tax Sale Proceeds
 - Development Excise Tax
- Redirect existing revenue
 - Raise new revenue

New Construction Property Tax Capture

Background

- 50% of all property tax revenue on new construction is appropriated to the Housing Trust Fund for five years
- “New construction”: Anything that significantly increases property value between triannual assessments
 - New development
 - Renovations/improvements to existing structures
 - Value-increasing change in use
 - Rehabilitation of vacant property
- Redirecting revenue—\$1 to the trust fund is \$1 from the general fund
 - 2017 analysis: ~1% reduction in GF revenue

New Construction Property Tax Capture

Expected Revenue

- Data source: SDAT assessable base data
- Average: \$15 million per year
- Revenue could be adjusted up or down by capturing a different share of property tax
- Revenue would phase in over five years
- Volatility
 - Range: \$7 million to \$27 million
 - 50% of years: \$8 million to \$21.5 million
 - 75-25 ratio: 2.7 (**high**)
 - Revenue would have fallen by nearly 75 percent from 2009 to 2013

Hotel Tax Increase

Background

- Increase hotel tax rate by 1 percent, from 9.5 percent to 10.5 percent
- Where our tax rate stands:
 - Comparable to major mid-Atlantic cities
 - Higher than other MD counties
- Mandatory appropriations:
 - Convention center debt service
 - 40 percent Visit Baltimore appropriation
 - Changing could require state action or charter amendment

Hotel Tax Increase

Expected Revenue

- Data source: BBMR revenue data
- Average: \$1.2 million per year
- Revenue could be adjusted up or down by setting a different tax rate
- Revenue estimate is adjusted for mandatory hotel tax appropriations
- Volatility
 - Range: \$1.0 million to \$1.4 million
 - 50% of years: \$1.1 million to \$1.3 million
 - 75-25 ratio: 1.2 (**low**)

Recordation Tax Increase

Background

- Recordation tax is collected on all documents transferring or securing real property that are recorded with the circuit court
 - Examples: deeds, mortgages
- Raise tax rate from \$5 per \$500 to \$6 per \$500 (essentially, from 1 percent to 1.2 percent)
 - For a \$250,000 home, proposed increase is \$500
- Option: Simultaneously increase owner-occupied exemption from \$22,000 to \$30,000
- **Ultimate revenue source is similar to this**

Recordation Tax Increase

Expected Revenue

- Data sources:
 - BBMR revenue data
 - MD Planning Dept. property sale data
- Average:
 - \$6 million per year if owner-occupied exemption is raised
 - \$7 million per year if exemption is not raised
- Revenue could be adjusted up or down by setting a different tax rate or exemption
- Volatility
 - Range: \$3.6 million to \$9.8 million
 - 50% of years: \$4.0 million to \$7.2 million
 - 75-25 ratio: 1.8 (**moderate**)
 - Revenue would have fallen by two-thirds percent from 2007 to 2011

Tax Sale Proceeds

Background

- Appropriate 25 percent of tax sale proceeds to trust fund
- Redirecting revenue: ~0.5%
- Funding source relies on family hardship

Tax Sale Proceeds

Expected Revenue

- Data source: BBMR revenue data
- Average: \$6 million per year
- Revenue could be adjusted up or down by capturing a different share of proceeds
- Volatility
 - Range: \$5.1 million to \$6.9 million
 - 50% of years: \$5.2 million to \$6.3 million
 - 75-25 ratio: 1.2 (**low**)
 - Would have fallen by 25 percent from 2008 to 2012
- Source/methodology?

Development Excise Tax

Background

- 16 counties currently charge impact fees or development excise taxes
- Difference:
 - Impact fees must be closely related to impact of specific new developments
 - Excise taxes more flexible
- Create new excise tax in Baltimore City:
 - \$10,000 per unit on residential development
 - \$5 per square foot on commercial development
- May require General Assembly approval
- Could use exemptions, vary rate to target specific development

Development Excise Tax

Expected Revenue

- Data source: MD Planning Dept. property universe data
- Average: \$11 million per year
 - Real revenues likely somewhat higher
- Revenue could be adjusted up or down by setting a different rate
- Common exemptions would reduce revenue
- Volatility
 - Range: \$1.5 million to \$22.8 million
 - 50% of years: \$7.6 million to \$15.3 million
 - 75-25 ratio: 2.0 (**high**)
 - Data show a possible downward trend

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