



House Bill 1252

Property Tax Exemption – Disabled Veterans and Surviving Spouses – Percentage of Disability

MACo Position: **OPPOSE**

To: Ways and Means Committee

Date: March 6, 2014

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **OPPOSES** House Bill 1252. This bill would significantly expand an existing property tax exemption for disabled veterans and surviving spouses.

Under current law, for a property tax exemption to be granted to a disabled veteran or surviving spouse, the disabled veteran must have a 100% service connected disability.

HB 1252 expands this criteria to apply to disabled veterans with a service connected disability of 50% or greater. Although the property tax exemption would be granted in an amount equal to the service connected disability, this change would significantly increase the number of veterans eligible for this exemption.

MACo is concerned with the fiscal effects of this legislation. While it is difficult to determine the number of disabled veterans and surviving spouses who may become eligible under this new criteria, reasonable assumptions used by the Department of Legislative Services indicate that local government revenues could decline by almost \$12 million. This is a substantial revenue loss to be shared by the counties, and when combined with other potential revenue challenges, it presents extreme budget difficulties.

Counties have faced economy-driven fiscal challenges in recent years, with county revenue woes expected to continue as property assessments remain in decline for most jurisdictions. Counties are also feeling pressure from federal budget uncertainties and potential changes in the treatment of out-of-state income for county income tax purposes. Legislation that reduces county revenues by this magnitude would make it substantially more difficult for counties to manage their budgets to provide needed services.

HB 1252 could also have an effect on the State's General Fund. State property tax revenues fund the Annuity Bond Fund, which is used for debt service payments. If sufficient funds are not available to cover debt service, General Funds are allocated to make up any difference. Over the past few years, the General Fund has increasingly supported State debt service payments. Expanding the property tax exemption for disabled veterans and spouses will put more pressure on the General Fund to do so.

For this reason, MACo urges the Committee to give HB 1252 an **UNFAVORABLE** report.