

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 815 (Senator Salling)
Budget and Taxation

Baltimore County - Property Tax - Homeowners' Property Tax Credit Supplement

This bill requires Baltimore County to grant a property tax credit to supplement the State homeowners' property tax credit. **The bill takes effect June 1, 2018, and applies to taxable years beginning after June 30, 2018.**

Fiscal Summary

State Effect: The State Department of Assessments and Taxation (SDAT) currently administers Baltimore County's supplemental Homeowners' Property Tax Credit Program and can administer the tax credit required by the bill with existing budget resources.

Local Effect: Potential significant increase in Baltimore County expenditures beginning in FY 2019. Revenues are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The bill requires Baltimore County to grant a property tax credit to supplement the State homeowners' property tax credit. The property tax credit is equal to the total real property tax of the dwelling, less specified percentages of the combined income of the homeowner. The maximum assessment against which the homeowners' property tax credit may be granted is \$300,000. To be eligible for the tax credit, a homeowner's combined net worth may not exceed \$200,000, and combined income may not exceed \$72,000. The percentages applied to the combined income that are used to

calculate the amount of the property tax credit are (1) 0% of the first \$18,000 of combined income; (2) 6.5% of the next \$4,000 of combined income; and (3) 9% of the combined income over \$22,000.

SDAT is required to administer the county supplemental property tax credit and Baltimore County must reimburse the department for any administrative expenses.

Current Law: Baltimore County provides a local supplement to the State Homeowners' Property Tax Credit Program. The maximum assessment against which the county's existing supplemental homeowners' property tax credit may be granted is \$300,000. To be eligible for the tax credit, a homeowner's combined net worth may not exceed \$200,000, and combined income may not exceed \$60,000. The percentages applied to the combined income that are used to calculate the amount of the property tax credit are (1) 0% of the first \$4,000 of combined income; (2) 0% of the second \$4,000 of combined income; (3) 0% of the third \$4,000 of combined income; (4) 6.5% of the fourth \$4,000 of combined income; and (5) 9% of the combined income over \$16,000.

Background: The Homeowners' Property Tax Credit Program is a State-funded program that provides credits against State and local real property taxation for homeowners who qualify based on a sliding scale of property tax liability and income. The fiscal 2019 State budget includes \$60.0 million in funding for the program. Approximately 52,000 homeowners are expected to benefit from the program in fiscal 2019. **Appendix – Homeowners' Property Tax Credit Program** provides a brief description of the program and recent legislative changes.

Baltimore County granted 7,586 homeowners approximately \$1.1 million in local supplemental property tax credits in fiscal 2017.

Local Fiscal Effect: Baltimore County expenditures for the supplemental homeowners' property tax credit may increase by a potentially significant amount beginning in fiscal 2019. The amount of the expenditure increase cannot be reliably estimated at this time and depends on the number of eligible homeowners and the amount of property tax credits granted under the bill. Baltimore County currently caps the amount of the credit at \$160 per recipient.

As noted, Baltimore County granted 7,586 homeowners with approximately \$1.1 million in supplemental homeowners' property tax credits in fiscal 2017. As a point of reference, and *for illustrative purposes only*, if the program changes proposed by the bill increase the amount of tax credits received by homeowners by 10%, Baltimore County expenditures will increase by approximately \$114,100. A 25% increase in program participation will result in an expenditure increase of \$285,100.

Additional Information

Prior Introductions: HB 751 of 2017 received a hearing in the House Ways and Means Committee but was subsequently withdrawn.

Cross File: HB 583 (Delegate Long) - Ways and Means.

Information Source(s): Baltimore County; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 11, 2018
md/hlb

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Appendix – Homeowners’ Property Tax Credit Program

Current Law: The maximum assessment against which the homeowners’ property tax credit may be granted is \$300,000. To be eligible for the tax credit, a homeowner’s combined net worth may not exceed \$200,000 and combined income may not exceed \$60,000. Total real property tax is the product of the sum of all property tax rates on real property, including special district tax rates, for the taxable year on a dwelling multiplied by the lesser of \$300,000 or the assessed value of the dwelling reduced by the amount of the homestead property tax credit.

The percentages applied to the combined income that are used to calculate the amount of the property tax credit are (1) 0% of the first \$8,000 of combined income; (2) 4% of the next \$4,000 of combined income; (3) 6.5% of the next \$4,000 of combined income; and (4) 9% of the combined income over \$16,000.

Background: 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. **Exhibit 1** shows the number of individuals qualifying for the tax credit and the total cost of the program since fiscal 2005, as referenced in the State budget.

Chapter 27 of 2006 made several significant changes to the Homeowners’ Property Tax Credit Program: the maximum assessment against which the credit may be granted was increased to \$300,000 from \$150,000; and the percentages used to determine the amount of the tax credit were altered.

Chapter 588 of 2005 altered the calculation of total real property tax for the Homeowners’ Property Tax Credit Program by subtracting the homestead tax credit amount from the total assessment rather than the maximum assessment specified under the credit. Chapter 588 also specified additional eligibility criteria for the local supplement to the Homeowners’ Property Tax Credit Program by authorizing a local jurisdiction to alter the \$200,000 limitation on a homeowner’s net worth for eligibility for a local supplement to the Homeowners’ Property Tax Credit Program.

Exhibit 1
Homeowners' Property Tax Credit Program
Fiscal 2005-2019

<u>Fiscal Year</u>	<u>Eligible Applications</u>	<u>State Funding</u>	<u>Average Credit Amount</u>
2005 Actual	48,666	\$39.5 million	\$812
2006 Actual	46,628	41.7 million	894
2007 Actual	48,290	45.6 million	944
2008 Actual	46,618	45.2 million	970
2009 Actual	47,781	50.3 million	1,053
2010 Actual	48,737	53.4 million	1,096
2011 Actual	49,224	58.0 million	1,179
2012 Actual	52,594	62.6 million	1,190
2013 Actual	53,196	62.6 million	1,177
2014 Actual	50,872	61.6 million	1,218
2015 Actual	48,713	59.5 million	1,221
2016 Actual	46,751	58.4 million	1,249
2017 Actual	45,964	54.2 million	1,301
2018 Estimated	49,599	60.0 million	1,210
2019 Estimated	52,079	60.0 million	1,152

Source: Department of Budget and Management

Since fiscal 1992, the counties and Baltimore City have been authorized to grant a local supplement to the Homeowners' Property Tax Credit Program. Maryland State Department of Assessment and Taxation (SDAT) administers a local supplement granted by a county, but the cost of a local supplement is borne by the local government. For purposes of the local supplement, the counties are authorized to alter the maximum on the assessed value taken into account in calculating the credit, as well as the percentages and income levels specified in the tax limit formula. The counties are also authorized to impose limitations on eligibility for a local supplement in addition to the requirements specified for the State credit. Baltimore City and thirteen counties – Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Charles, Frederick, Garrett, Harford, Howard, Kent, Montgomery, and Washington – have a local homeowners' property tax credit supplement program that is administered by SDAT. Data collected by the Department of Legislative Services in 2016 indicates that these jurisdictions granted approximately 19,600 homeowners approximately \$8.1 million in local property tax credits in fiscal 2016, as shown in **Exhibit 2**.

Exhibit 2
Homeowners' Property Tax Credit Program – Local Supplement
Fiscal 2016

County	Number Claiming	Amount Claimed
Anne Arundel	3,521	\$1,142,096
Baltimore City	0	\$0
Baltimore	7,762	1,162,704
Calvert	0	0
Caroline	644	161,048
Carroll	n.a.	13,618
Charles	1,123	938,706
Frederick	0	0
Garrett	441	40,809
Harford	0	0
Howard	179	38,910
Kent	360	222,422
Montgomery	4,747	4,097,149
Washington	850	280,000
Total	19,627	\$8,097,462

Source: Department of Legislative Services

Municipalities are also authorized to provide a supplement to the Homeowners' Property Tax Credit Program. Under the enabling authority for municipalities, a municipal supplement is limited to 50% of the State credit.

Chapter 444 of 2006 altered the calculation and eligibility criteria of the municipal supplement to make it consistent with the current calculation and eligibility criteria authorized under the county supplement program. Chapter 444 also altered the amount of a supplemental municipal credit that may be granted by repealing the limitation that a municipal supplement may not exceed 50% of the Homeowners' Property Tax Credit. SDAT administers municipal homeowners' property tax credit supplement programs in the cities of Gaithersburg, Rockville, Bowie, College Park, Greenbelt, Hyattsville, and Mount Rainier.