

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 835

(Senator Carter, *et al.*)

Budget and Taxation

Property Tax - Renters' Property Tax Relief Program

This bill expands eligibility for the Renters' Property Tax Relief Program for individuals under age 60 by (1) increasing the income eligibility limits and (2) repealing the requirement that the individual live with a minor dependent. Specifically, the bill alters the income threshold amounts by basing eligibility on income levels established by the U.S. Department of Housing and Urban Development very low-income limits for the previous year. Under current law, the income threshold amounts are based on the poverty levels established by the U.S. Department of Commerce, Bureau of the Census. The bill also repeals a requirement that a renter under age 60 have at least one dependent child under age 18 living with the renter in order to qualify for the tax credit. **The bill takes effect June 1, 2019, and applies to calendar years beginning after December 31, 2018.**

Fiscal Summary

State Effect: General fund expenditures increase by a significant amount beginning in FY 2020. Under one set of assumptions, expenditures may increase by approximately \$5.0 million annually. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Renters' Property Tax Relief Program provides financial assistance for elderly, disabled, and certain low-income renters from the cost attributable to State and local real property taxes. The concept behind the program is that renters indirectly pay

property taxes as part of their rent and, thus, should have some protection, as do homeowners. The program makes payments directly to eligible renters to provide relief for the “assumed property tax” that renters indirectly pay as part of their rent.

Background: Originally, the program was based on an “assumed property tax bill” equal to 10% of rent paid. Credits were substantially increased in 1981 to 15% of rent paid. As under the Homeowners’ Property Tax Credit Program, qualification is based on a sliding scale of assumed property tax liability and income. If the portion of rent attributable to the assumed property taxes exceeds a fixed amount in relation to income, the renter can, under specified conditions, receive a maximum credit of \$1,000. The State pays the amount directly to program recipients. **Exhibit 1** shows the number of individuals qualifying for the program and the total cost of the program since fiscal 2015, as referenced in the State budget.

Exhibit 1
Renters’ Property Tax Relief Program
Fiscal 2015-2020

<u>Year</u>	<u>Eligible Applications</u>	<u>State Funding</u>	<u>Average Payment</u>
2015	7,838	\$2.4 million	\$306
2016	7,650	2.3 million	301
2017	8,374	3.1 million	344
2018	8,904	3.6 million	403
2019 Estimate	9,459	4.0 million	423
2020 Estimate	9,933	4.4 million	443

Source: Department of Budget and Management

State Fiscal Effect: General fund expenditures increase by a significant amount beginning in fiscal 2020. The actual expenditure increase will depend on the number of renters under age 60 who become eligible for the program based on the changes proposed by the bill. Under one set of assumptions, general fund expenditures could increase by approximately \$5.0 million annually as a result of potentially doubling the number of renters who may qualify for the program.

Altering Gross Income Limit

As shown in **Exhibit 2**, the gross income limits for low-income renters with a household size of three or less more than doubles. There are 150,305 renter households in Maryland
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with a household income of less than \$20,000. Under current law, this represents the approximate gross income limit for a three-person household to qualify for the renters' property tax credit program. As shown in **Exhibit 3**, there are an additional 183,689 renter households with a household income of less than \$45,000, which is the approximate new gross income limit for a three-person household to qualify for the program. By increasing the income eligibility thresholds by over 100%, a significant number of additional individuals will become eligible for the program.

As a note, due to other eligibility requirements (annual rent payments and assumed property tax amount) only a portion of the households within the specified income levels actually become eligible for the program. As referenced in Exhibit 1, approximately 10,000 individuals currently receive funding under the program.

Exhibit 2
Gross Income Eligibility Limits

<u>Size of Household</u>	<u>Current Law</u>	<u>Proposed</u>	<u>Percent Increase</u>
One Person	\$13,064	\$33,800	158.7%
Two Persons	16,896	38,600	128.5%
Three Persons	19,992	43,450	117.3%
Four Persons	25,707	48,250	87.7%
Five Persons	30,440	52,100	71.2%
Six Persons	34,439	55,950	62.5%
Seven Persons	39,105	59,850	53.0%
Eight Persons	43,727	63,700	45.7%

Source: U.S. Department of Housing and Urban Development; U.S. Census Bureau

Exhibit 3
Household Income Amounts
Maryland Renters

<u>Household Income</u>	<u>Number</u>	<u>Percent</u>
Less than \$5,000	34,527	4.8%
\$5,000-\$9,999	37,410	5.2%
\$10,000-\$14,999	40,776	5.6%
\$15,000-\$19,999	37,592	5.2%
\$20,000-\$24,999	38,248	5.3%
\$25,000-\$34,999	75,360	10.4%
\$35,000-\$49,999	105,122	14.5%
\$50,000-\$74,999	140,199	19.4%
Over \$75,000	215,101	29.7%
	724,335	100.0%

Source: U.S. Census Bureau

Repeal Dependent Requirement

The bill also enables single renters with incomes of up to \$33,800 to qualify for the program. This change significantly increases the number of individuals that could become eligible for the program. For example, a single individual earning \$16.25 an hour could become eligible for the program.

Additional Comments: In addition to publishing a statewide total for very low-income limits, the U.S. Department of Housing and Urban Development also provides very low-income limit data for the various Metropolitan Statistical Areas in the State.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Association of Counties; Maryland Municipal League; Comptroller's Office; Department of Housing and Urban Development; U.S. Census

Bureau; State Department of Assessments and Taxation; Department of Legislative Services

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