

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 387 (Delegate Stein)
Ways and Means

Homeowners' Property Tax Credit - Eligibility - Hardship Exception

This bill authorizes a homeowner to apply to the State Department of Assessments and Taxation (SDAT) for a hardship exemption from the combined gross income limitation requirement under the homeowners' property tax credit. **The bill takes effect June 1, 2021, and applies to taxable years beginning after June 30, 2021.**

Fiscal Summary

State Effect: General fund expenditures for the homeowners' property tax credit program may increase beginning in FY 2022, depending on the number of homeowners who are granted a hardship exemption.

Local Effect: Local governments that provide a supplement to the State homeowners' property tax credit will realize increase expenditures depending on the number of hardship exemptions that are granted each year.

Small Business Effect: None.

Analysis

Bill Summary: Under current law, to be eligible for the homeowners' property tax credit, a homeowner's combined net worth may not exceed \$200,000 and combined gross income may not exceed \$60,000. Under the bill, the limitation on combined gross income does not apply if the homeowner is granted a hardship exemption from SDAT. To receive an exemption, the department must determine that (1) the homeowner suffered a hardship in the calendar year that precedes the year in which the homeowner applies for the credit; and

(2) the homeowner paid or incurred expenses relating to the hardship that resulted in significant financial distress for the homeowner.

The homeowner must include in the application, in the form required by SDAT, an itemized list of all sources of income and expenses of the homeowner, including expenses related to the hardship. A homeowner may appeal a decision by the department to deny a homeowner's request for a hardship exception.

A hardship is defined as (1) an illness or accident-related injury of a homeowner or a member of the homeowner's immediate family; or (2) a property casualty event at a homeowner's dwelling.

Current Law: 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 2022 State budget includes \$64.0 million in funding for the program. Approximately 45,000 individuals are eligible to receive the property tax credit each year.

State Fiscal Effect: General fund expenditures for the homeowners' property tax credit program may increase beginning in fiscal 2022, depending on the number of homeowners who are granted a hardship exemption. As a point of reference, the average State homeowners' property tax credit was equal to approximately \$1,300 for fiscal 2017 through 2021. For illustrative purpose only, if the hardship exemption is provided to 450 individuals each year, which represents 1% of the total number of individuals currently receiving the tax credit, State expenditures could increase by \$0.5 million annually.

Local Fiscal Effect: Local governments that provide a supplement to the State homeowners' property tax credit will realize increase expenditures depending on the number of hardship exemptions that are granted each year.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Association of Counties; Property Tax Assessment Appeals Board; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - January 25, 2021
rh/hlb

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510