

Department of Legislative Services  
Maryland General Assembly  
2022 Session

FISCAL AND POLICY NOTE  
Enrolled - Revised

House Bill 617

(Delegate Lisanti, *et al.*)

Ways and Means

Budget and Taxation

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**Property Tax – Credit for Surviving Spouses of Fallen Service Members**

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This bill authorizes counties and municipalities to grant a property tax credit for the county or municipal property tax imposed on the dwelling of a surviving spouse of a fallen service member, if the surviving spouse has not remarried and is ineligible for an existing specified property tax exemption. Local governments must define who is a fallen service member. **The bill takes effect June 1, 2022, and applies to taxable years beginning after June 30, 2022.**

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Local property tax revenues may decrease beginning in FY 2023 to the extent the property tax credit is authorized. The amount of the decrease depends on the number of eligible taxpayers and the assessed value of each residential property that is eligible for the property tax credit. Local expenditures are not affected.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** The real property owned by disabled veterans, as their legal residence, is exempt from taxation, if specified requirements are met. A disabled veteran is an individual who is honorably discharged or released under honorable circumstances from active service in any branch of the U.S. Armed Forces. To qualify for the tax exemption, the disabled veteran must have a 100% service-connected disability rating. Real property owned by the surviving spouse of a disabled veteran and the surviving spouse of an

individual who died in the line of duty while in active military, naval, or air service of the United States is exempt from taxation. In addition, a home owned by the surviving spouse of a veteran of the U.S. Armed Forces who receives Dependency and Indemnity Compensation from the U.S. Department of Veterans Affairs is eligible for a property tax exemption under specified circumstances.

### *Fiscal Impact of Current Exemption*

For fiscal 2022, 13,644 property owners are receiving a property tax exemption for being a disabled veteran, a surviving spouse, or a disabled active duty service member, and the assessment for these properties is approximately \$4.9 billion. The average exemption is approximately \$357,197, and the associated State revenue loss from these exemptions totals approximately \$5.5 million, based on a \$0.112 State property tax rate. All State property tax revenues are credited to a special fund, the Annuity Bond Fund, dedicated exclusively to paying the debt service on State general obligation bonds. Local governments generally have the authority to set their own property tax rates. Based on the average combined county-municipal property tax rate, the projected local revenue loss from the current exemption could total approximately \$50 million.

**Local Fiscal Effect:** Local property tax revenues may decrease to the extent the property tax credit is authorized. The amount of the decrease depends on the number of eligible taxpayers and the assessed value of each residential property that is eligible for the property tax credit, neither of which can be reliably estimated at this time. As a point of reference, **Exhibit 1** shows the effect of one taxpayer claiming the property tax credit in each county, based on current assessment information and property tax rates.

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**Exhibit 1**  
**Effect of One Property Tax Credit on County Revenues**  
**Fiscal 2023**

<b>County</b>	<b>Property Tax Rate</b>	<b>Average Taxable Assessment</b>	<b>Revenue Decrease</b>
Allegany	\$0.975	\$73,554	(\$717)
Anne Arundel	0.933	325,100	(3,033)
Baltimore City	2.248	117,604	(2,644)
Baltimore	1.100	233,351	(2,567)
Calvert	0.927	286,133	(2,652)
Caroline	0.980	154,937	(1,518)
Carroll	1.018	294,422	(2,997)
Cecil	1.028	192,184	(1,975)
Charles	1.205	259,212	(3,124)
Dorchester	1.000	115,217	(1,152)
Frederick	1.060	290,642	(3,081)
Garrett	1.056	151,301	(1,598)
Harford	1.028	257,319	(2,645)
Howard	1.250	425,975	(5,325)
Kent	1.012	211,095	(2,136)
Montgomery	0.991	484,380	(4,798)
Prince George's	1.374	239,506	(3,291)
Queen Anne's	0.847	327,704	(2,776)
St. Mary's	0.848	245,927	(2,085)
Somerset	1.000	72,835	(728)
Talbot	0.657	339,999	(2,232)
Washington	0.948	172,883	(1,639)
Wicomico	0.920	119,154	(1,096)
Worcester	0.845	222,972	(1,884)

Source: State Department of Assessments and Taxation; Department of Legislative Services

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**Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Maryland Association of Counties; Maryland Municipal League;  
State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 13, 2022  
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