

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 449
Ways and Means

(Delegate Smith)

Budget and Taxation

Property Tax - Renters' Property Tax Relief Program - Application Period

This bill authorizes the State Department of Assessments and Taxation (SDAT) to accept an application for the Renters' Property Tax Relief Program within three years after October 1 of the calendar year for which property tax relief is sought, if the renter was (1) at least 70 years old in the calendar year for which property tax relief is sought and (2) eligible for the property tax relief for the taxable year for which the credit is sought. **The bill takes effect June 1, 2023, and applies to taxable years beginning after June 30, 2019.**

Fiscal Summary

State Effect: General fund expenditures increase beginning in FY 2024 depending on the number of renters who file retroactive applications. Under one set of assumptions, general fund expenditures may increase by approximately \$277,300 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. The proposed fiscal 2023 State budget includes \$4.4 million for the program. The application deadline for the program is October 1.

State Fiscal Effect: General fund expenditures increase beginning in fiscal 2024, with the actual increase depending on the number of renters who file retroactive applications each year. Based on one set of assumptions, general fund expenditures increase by approximately \$277,300 annually. This estimate is based on the following facts and assumptions:

- 7,525 individuals received payments through the Renters’ Property Tax Relief Program in fiscal 2021, with the average payment totaling \$445.
- 42,300 individuals were eligible for the homeowners’ property tax credit program in fiscal 2021, including 3,500 who applied for the tax credit retroactively.
- The number of retroactive applications for the Renters’ Property Tax Relief Program would be similar to the actual experience under the homeowners’ property tax credit program (8.3%).

To the extent that the number of renters who apply for and receive retroactive payments varies from the above estimate, the effect on general fund expenditures will vary accordingly.

SDAT advises that, depending on the number of retroactive applications received each year, the department may need to hire additional personnel to assist with the program. In addition, SDAT advises that it may take up to a year to update the various information systems necessary to implement the changes to the Renters’ Property Tax Relief Program required by the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History:
rh/hlb

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