

**LARRY HOGAN**  
Governor

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Lt. Governor



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**HEARING DATE:** January 18, 2022

**BILL:** SB0153

**TITLE:** Property Tax - Homeowners' Property Tax Credit - Definition of Gross Income

**SDAT POSITION:** LETTER OF INFORMATION

SB 153 presents several operational challenges and concerns for the State Department of Assessments and Taxation (SDAT) and for those reasons, the department presents the below considerations.

**Issue #1 Effective Date:**

SDAT's 2022 Homeowners' Tax Credit application will go live on February 15, 2022. All applications received by the April 15, 2022 deadline will be calculated in time to be included on July 1, 2022 tax bills distributed by local jurisdictions. These bills will correspond to tax year 2023. SDAT cannot change calculation methodology mid-year. The earliest this legislation could be implemented would be applicable to all taxable years beginning after June 30, 2023.

Without changing the effective date, the Department would be required to create an emergency procurement contract with a potential cost of several million dollars. Furthermore, homeowners would be required to submit new applications mid-year, and counties would have to issue revised tax bills, deal with refunds, additional payments, etc.

**Issue #2 Undetermined Definition of Medical Care:**

In proposed TP §9-104(a)(8)(i), categories 2, 3, and 4, continuing care, care provided by an assisted living program, and care provided by a nursing home respectively, are well-defined in statute and the Department could simply promulgate regulations specifying what evidence and supplemental documentation are required to approve these expenses as deductible from gross household income. Category 1, medical care, is not well-defined in statute and given the broad interpretation would be

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difficult to implement. For these reasons, the department feels strongly that “medical care” should be removed.

**Issue #3 Inability to Audit:**

In some instances, customers pay upfront for insurance services and later receive a check/refund from their respective insurance agency. For each of these four categories, if the customer submits the contract/receipt for their initial payment, SDAT has no way of knowing whether they later received a refund from their insurance agency, and no way of requesting proof of documentation from the customer. SDAT would have to assume that what the customer submits to the Department is exactly what was paid.

**Issue #4 Supplemental Application Information**

The current Homeowners’ Tax Credit application considers gross household income of various categories, but it does not require deduction of any expenses from that income. Adding medical care, continuing care, assisted living care, and nursing home care as expenses to be deducted would not only require additional supplemental information to be submitted as part of the homeowners’ application. This would also require SDAT to hire two additional grade eight tax credit processors to implement these three additional categories to review and make determinations related to additional information submitted.

**Issue #5 Existing Modernization Contract**

SDAT is in the midst of a tax credit application system modernization process, with the new Homeowners’ Tax Credit system planned to go live in February 2023. SDAT would have to explore additional costs of adding new features, but estimates the change order of the contract could cost hundreds of thousands of dollars.

**For these reasons, SDAT offers this Letter of Information for SB0153 and strongly recommends consideration of these points.**