

HB 480_realtors_fav.pdf

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Position: FAV



House Bill 480 – Homestead Property Tax Credit – Calculation of Credit for Dwelling Purchased by First-Time Homeowner

Position: Support

Maryland REALTORS® supports HB 480, which allows a local government to grant first-time homebuyers additional relief under the homestead tax credit.

Under current law, the Homestead Tax Credit is not available if the property is transferred to new ownership. While HB 480 would generally retain that rule for most real estate transactions, it would establish a calculation where a first-time buyer could receive an additional homestead credit based on the previous property owner's assessment.

A frequently noted barrier to first-time homeownership is saving for down payment and closing costs. Included in those closing costs is a pre-payment of applicable property taxes for the dwelling. By reducing the amount of property taxes that are due in the first year of ownership, closing costs decrease and counties can enable additional residents to become property owners.

With the rate of first-time buyers hovering at 30-year lows, REALTORS® believe that HB 480 is one way to boost those numbers in Maryland and make homeownership more affordable. We encourage a favorable report.

**For more information contact bill.castelli@mdrealtor.org,
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HB 480- Favorable_Maryland REALTORS.pdf

Uploaded by: Susan Mitchell

Position: FAV



House Bill 480 – Homestead Property Tax Credit – Calculation of Credit for Dwelling Purchased by First-Time Homeowner

Position: Support

The Maryland REALTORS® supports HB 480 which grants first-time homebuyers a bonus homestead tax credit.

The National Association of REALTORS® (NAR) conducts an annual survey of homebuyers and sellers and noted that first-time buyers over the last few years are at a historically smaller share of the market than at any time in the last 30 years. The percentage of first-time buyers fell from an average of 40% to 33 % nationally in 2015 and remains at 33% in 2019. Additionally, the homeownership rate in Maryland has dropped from 69.9% in 2000 to 66.6% in 2018.

The drop in first-time buyers is not because millennials have different priorities than previous generations. In fact, studies show that millennials still view homeownership as an important personal goal. Unfortunately, young purchasers have significant barriers, including: rising rents which make saving for downpayments more difficult; student loans which postpone savings for downpayments; and tougher loan underwriting.

Although the Homestead Tax Credit is not typically transferable from a seller to a buyer, HB 480 would set up a process for the buyer to receive an additional homestead credit based on the previous property owner's assessment.

The Maryland REALTORS® believe HB 480 provides another approach to helping first-time buyers rebound and encourages a favorable report.

For more information, please contact bill.castelli@mdrealtor.org or susan.mitchell@mdrealtor.org or lisa.may@mdrealtor.org

HB0480-WM_MACo_OPP.pdf

Uploaded by: Kevin Kinnally

Position: UNF



House Bill 480

Homestead Property Tax Credit - Calculation of Credit for Dwelling Purchased by First-Time Homebuyer

MACo Position: **OPPOSE**

To: Ways and Means Committee

Date: February 15, 2022

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **OPPOSES** HB 480. This bill opens up property tax savings under the Homestead Property Tax Credit to be “transferrable” to first-time Maryland homebuyers. This dramatically undermines the longstanding policy purpose of the credit – to ensure stability in tax bills after the time of purchase.

Counties oppose this bill because it compromises the basic nature of the Homestead Property Tax Credit and threatens a severe fiscal impact to county budgets. The Homestead Property Tax Credit acts to essentially cap assessments of owner-occupied residences, so that a resident’s property tax burden does not increase too substantially over the prior year. It provides consistency for taxpayers who live in and own their homes. Nearly every county has exercised their authority to lower their caps, providing security to homeowners beyond that which is required by the State.

However, if the tax credit were expanded to all homes transferred to new homeowners, counties could lose up to \$12.5 million of their most reliable revenue source by fiscal 2025 according to the bill’s 2021 fiscal note. Counties could be forced to eliminate their expansions of the Homestead Property Tax Credit altogether where feasible – or, potentially, cut budgets for schools, public health, public safety, roadway maintenance, and other essential public services.

It deserves noting that the bill’s fiscal note is based on one year’s sales data, and that several factors can impact the year-to-year revenue effect of the bill. For example, the fiscal note for HB 1445 of 2018 (an earlier introduction of the current HB 480) used data from fiscal 2017 and projected local property tax revenue losses of \$85 million by fiscal 2023.

HB 480 subverts the main policy goal of this longstanding and successful homeowner program and could potentially cost counties millions of dollars in revenue needed for essential local services. For these reasons, MACo urges the Committee to issue an **UNFAVORABLE** report on HB 480.

HB0480.docx.pdf

Uploaded by: Director Michael Higgs

Position: INFO

LARRY HOGAN
Governor

BOYD K. RUTHERFORD
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HEARING DATE: February 15, 2022

BILL: HB0480

TITLE: Homestead Property Tax Credit - Calculation of Credit for Dwelling Purchased by First-Time Homebuyer

SDAT POSITION: Letter of Information

The State Department of Assessments and Taxation (SDAT) offers the following information for HB0480:

This bill enables a first-time homebuyer in the State of Maryland to receive the Homestead Property Tax Credit for a newly purchased home through the use of a "Homestead Credit carryover amount." The bill provides for the calculation of the property tax credit as well as the phase-out of the Homestead Credit carryover amount. If the proposed legislation were to be enacted, it would take effect June 1, 2022, and be applied to all taxable years beginning June 30, 2022.

While the Department appreciates the intent of the proposed legislation, SDAT advises that it would be impossible to implement this new program by the timeline suggested in the bill, as it would require an update to the Department's Real Property database. SDAT's vendor typically performs updates due to new legislation at a reduced cost. However, it may require months of studying the necessary changes to be made before an accurate timeline can be developed. The Department would incur additional costs if it attempted to speed up this timeline, although implementation does depend on jurisdictions first authorizing this program.

To administer, the Department would require first-time homebuyers to submit certain documents filed at closing along with their homestead tax credit application.

LARRY HOGAN
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In addition, SDAT could incur significant unknown computer programming costs to reprogram its tax system to allow for the carryover of the homestead property tax credit from one homeowner to another.

For these reasons, SDAT offers this Letter of Information and urges a reconsideration of HB0480 in its current form.