

**ENROLLED BILL**

-- *Ways and Means/Budget and Taxation* --

Introduced by **Delegates Jennings, Impallaria, McDonough, Arnick, Boteler, Bromwell, Cluster, Costa, Dwyer, Eckardt, Elmore, Frank, Haddaway, Minnick, and Weir**

Read and Examined by Proofreaders:

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Proofreader.

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Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this  
\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_ M.

\_\_\_\_\_  
Speaker.

CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Homestead Property Tax Credit - Supplemental Credit for Repaired or**  
3 **Reconstructed Dwelling**

4 FOR the purpose of ~~requiring the State and~~ providing a State property tax exemption  
5 for certain real property under certain circumstances if the governing body of a  
6 county has granted a certain property tax credit; ~~authorizing~~ requiring the  
7 governing body of each county and of each municipal corporation to grant a  
8 certain ~~supplemental~~ property tax ~~credit~~ credits under certain circumstances for  
9 dwellings that are damaged or destroyed due to a natural disaster; ~~altering the~~  
10 ~~calculation of the Homestead Property Tax Credit under certain circumstances;~~  
11 ~~requiring homeowners claiming a credit under this Act to apply to the State~~  
12 ~~Department of Assessments and Taxation for approval of the credit; requiring~~  
13 ~~the Department to include the credit on the homeowner's property tax bill~~  
14 providing for the amount of certain property tax credits; limiting the period of  
15 time for which certain property tax credits may be granted; ~~authorizing~~

1 requiring certain counties or municipal corporations to establish certain  
 2 procedures or requirements for the application, review, and approval of certain  
 3 property tax credits; requiring certain counties and municipal corporations to  
 4 notify the State Department of Assessments and Taxation of certain tax credits  
 5 that have been granted; providing that certain property tax credits may not be  
 6 claimed for certain dwellings; providing for the application of this Act; and  
 7 generally relating to the Homestead Property Tax Credit Program property tax  
 8 relief for certain dwellings that are damaged or destroyed due to a natural  
 9 disaster.

10 ~~BY repealing and reenacting, with amendments,~~  
 11 ~~Article - Tax - Property~~  
 12 ~~Section 9-105~~  
 13 ~~Annotated Code of Maryland~~  
 14 ~~(2001 Replacement Volume and 2004 Supplement)~~

15 BY adding to  
 16 Article - Tax - Property  
 17 Section 7-306, 9-109, and 9-109.1  
 18 Annotated Code of Maryland  
 19 (2001 Replacement Volume and 2004 Supplement)

20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
 21 MARYLAND, That the Laws of Maryland read as follows:

22 **Article - Tax - Property**

23 7-306.

24 (A) SUBJECT TO SUBSECTION (B) OF THIS SECTION, REAL PROPERTY IS NOT  
 25 SUBJECT TO STATE PROPERTY TAX IF:

26 (1) THE HOMEOWNER IS OTHERWISE ELIGIBLE FOR THE CREDIT  
 27 ALLOWED UNDER § 9-105 OF THIS ARTICLE;

28 (2) (I) THE DWELLING IS:

29 1. DAMAGED OR DESTROYED DUE TO A NATURAL DISASTER;

30 AND

31 2. SUBSEQUENTLY REPAIRED OR RECONSTRUCTED;

32 (II) THE DWELLING IS REVALUED AFTER THE DWELLING IS  
 33 REPAIRED OR RECONSTRUCTED; AND

34 (III) AS A RESULT OF THE REVALUATION, THE ASSESSMENT OF THE  
 35 DWELLING EXCEEDS THE LAST ASSESSMENT OF THE DWELLING; AND

1           (3)     THE HOMEOWNER CLAIMING THE EXEMPTION HAD A LEGAL  
 2 INTEREST IN THE DWELLING AT THE TIME THE DWELLING WAS DAMAGED OR  
 3 DESTROYED AS DESCRIBED UNDER ITEM (2) OF THIS SUBSECTION.

4     (B)     THE PROPERTY TAX EXEMPTION UNDER THIS SECTION ONLY APPLIES FOR  
 5 A TAXABLE YEAR IN WHICH A PROPERTY TAX CREDIT FOR THE PROPERTY  
 6 DESCRIBED IN SUBSECTION (A) OF THIS SECTION IS GRANTED BY THE GOVERNING  
 7 BODY OF A COUNTY OR MUNICIPAL CORPORATION UNDER § 9-109 OR § 9-109.1 OF  
 8 THIS TITLE ARTICLE AND APPLIES ONLY TO THE EXTENT THAT THE CREDIT IS  
 9 GRANTED.

10 ~~9-105.~~

11     (a)     (1)     ~~In this section the following words have the meanings indicated.~~

12           (2)     (i)     ~~"Dwelling" means:~~

13                           1.     ~~a house that is:~~

14                           A.     ~~used as the principal residence of the homeowner; and~~

15                           B.     ~~actually occupied or expected to be actually occupied by~~  
 16 ~~the homeowner for more than 6 months of a 12-month period beginning with the date~~  
 17 ~~of finality for the taxable year for which the property tax credit under this section is~~  
 18 ~~sought; and~~

19                           2.     ~~the lot or curtilage on which the house is erected.~~

20                           (ii)    ~~"Dwelling" includes:~~

21                           1.     ~~a condominium unit that is occupied by an individual who~~  
 22 ~~has a legal interest in the condominium;~~

23                           2.     ~~an apartment in a cooperative apartment corporation that~~  
 24 ~~is occupied by an individual who has a legal interest in the apartment; and~~

25                           3.     ~~a part of real property used other than primarily for~~  
 26 ~~residential purposes, if the real property is used as a principal residence by an~~  
 27 ~~individual who has a legal interest in the real property.~~

28           (3)     ~~"Homeowner" means an individual who has a legal interest in a~~  
 29 ~~dwelling or who is an active member of an agricultural limited liability company that~~  
 30 ~~has a legal interest in a dwelling.~~

31           (4)     ~~"Legal interest" means an interest in a dwelling:~~

32                           (i)     ~~as a sole owner;~~

33                           (ii)    ~~as a joint tenant;~~

34                           (iii)   ~~as a tenant in common;~~

- 1 (iv) as a tenant by the entireties;  
 2 (v) through membership in a cooperative;  
 3 (vi) under a land installment contract, as defined in § 10-101 of the  
 4 Real Property Article; or  
 5 (vii) as a holder of a life estate.

6 (5) ~~"Taxable assessment" means the assessment on which the State,  
 7 county, or municipal corporation property tax rate was imposed in the preceding  
 8 taxable year, adjusted by the phased-in assessment increase resulting from a  
 9 revaluation under § 8-104(c)(1)(iii) of this article, less the amount of any assessment  
 10 on which a property tax credit under this section is authorized.~~

11 (6) ~~"Agricultural limited liability company" means a limited liability  
 12 company that:~~

- 13 (i) owns real property that:  
 14 1. includes land receiving an agricultural use assessment  
 15 under § 8-209 of this article; and  
 16 2. includes land used as a homesite that is part of or  
 17 contiguous to a parcel described in item 1 of this item;  
 18 (ii) owns personal property used to operate the agricultural land;  
 19 and  
 20 (iii) owns no other property.

21 (7) ~~"Active member" means a member of a limited liability company who  
 22 has or shares the authority to manage, control, and operate the limited liability  
 23 company and who shares the assets and earnings of the limited liability company  
 24 under an operating agreement under § 4A-402 of the Corporations and Associations  
 25 Article.~~

26 (b) ~~If there is an increase in property assessment as calculated under this  
 27 section, the State and the governing body of each county and of each municipal  
 28 corporation shall grant a property tax credit under this section against the State,  
 29 county, and municipal corporation property tax imposed on real property by the State,  
 30 county, or municipal corporation.~~

31 (e) (1) ~~If a dwelling is not used primarily for residential purposes, the  
 32 Department shall apportion the total property assessment between the part of the  
 33 dwelling that is used for residential purposes and the part of the dwelling that is not  
 34 used for residential purposes.~~

35 (2) ~~If a homeowner does not actually reside in a dwelling for the required  
 36 time period because of illness or need of special care and is otherwise eligible for a~~

1 property tax credit under this section, the homeowner may qualify for the property  
2 tax credit under this section.

3 (3) If a homeowner otherwise eligible for a credit under this section does  
4 not actually reside in a dwelling for the required time period because the dwelling is  
5 damaged due to an accident or natural disaster, the homeowner may continue to  
6 qualify for a credit under this section for the current taxable year and 2 succeeding  
7 taxable years even if the dwelling has been removed from the assessment roll in  
8 accordance with § 10-304 of this article.

9 (4) (i) For a homeowner who is an active member of an agricultural  
10 limited liability company to qualify for the property tax credit under this section:

11 1. the dwelling must have been owned and occupied by the  
12 active member;

13 A. at the time of its transfer to the agricultural limited  
14 liability company; or

15 B. if the dwelling was originally transferred to the  
16 agricultural limited liability company as part of a conversion from a partnership  
17 under § 4A-211 of the Corporations and Associations Article, then at the time of its  
18 transfer to the former partnership; and

19 2. the agricultural limited liability company and the active  
20 member who occupies the dwelling must file an application with the Department  
21 establishing initial eligibility for the credit on or before June 30 for the following  
22 taxable year and, at the request of the Department, must file an application in any  
23 future year to verify continued eligibility.

24 (ii) Failure to file a timely application may result in  
25 disqualification from the Homestead Tax Credit Program for the following taxable  
26 year.

27 (iii) The credit may only be granted to one dwelling owned by the  
28 agricultural limited liability company.

29 (iv) Participation in the credit program as the active member of an  
30 agricultural limited liability company disqualifies any other dwellings owned by the  
31 active member for the credit.

32 (d) (1) The Department shall authorize and the State, a county, or a  
33 municipal corporation shall grant a property tax credit under this section for a  
34 taxable year unless during the previous taxable year:

35 (i) the dwelling was transferred for consideration to new  
36 ownership;

1 (ii) the value of the dwelling was increased due to a change in the  
 2 zoning classification of the dwelling initiated or requested by the homeowner or  
 3 anyone having an interest in the property;

4 (iii) the use of the dwelling was changed substantially; or

5 (iv) the assessment of the dwelling was clearly erroneous due to an  
 6 error in calculation or measurement of improvements on the real property.

7 (2) A homeowner must actually reside in the dwelling by July 1 of the  
 8 taxable year for which the property tax credit under this section is to be allowed.

9 (3) A homeowner may claim a property tax credit under this section for  
 10 only 1 dwelling.

11 (4) If a property tax credit under this section is less than \$1 in any  
 12 taxable year, the tax credit may not be granted.

13 (e) (1) ~~[For] EXCEPT AS PROVIDED UNDER SUBSECTION (J) OF THIS~~  
 14 ~~SECTION, FOR~~ each taxable year, the property tax credit under this section is  
 15 calculated by:

16 (i) multiplying the prior year's taxable assessment by the  
 17 homestead credit percentage as provided under paragraph (2) of this subsection;

18 (ii) subtracting that amount from the current year's assessment;  
 19 and

20 (iii) if the difference is a positive number, multiplying the difference  
 21 by the applicable State, county, or municipal corporation property tax rate for the  
 22 current year.

23 (2) For each taxable year, the homestead credit percentage under  
 24 paragraph (1)(i) of this subsection is:

25 (i) for the State property tax, 110%;

26 (ii) for the county property tax:

27 1. the homestead credit percentage established by the county  
 28 under paragraph (3) of this subsection; or

29 2. if the county has not set a percentage for the taxable year  
 30 under paragraph (3) of this subsection or has not notified the Department as required  
 31 under paragraph (6) of this subsection, the homestead credit percentage in effect for  
 32 the county for the preceding taxable year; and

33 (iii) for the municipal corporation property tax:

34 1. the homestead credit percentage established by the  
 35 municipal corporation under paragraph (4) of this subsection; or



1 (ii) the full benefit of that credit may not be diminished by the  
2 property tax abatement under § 10-304 of this article and shall be reflected in the  
3 assessment of the total property, including any new improvements, for the current  
4 taxable year; and

5 (iii) the property shall be eligible to receive a credit under this  
6 section for the current taxable year and the two succeeding taxable years regardless  
7 of the existence or condition of the dwelling.

8 (2) Neither the calculation of the abatement nor the assessment under  
9 this subsection shall include an assessment less than zero.

10 9-109.

11 ~~(F)~~ (A) ~~(+)~~ THE STATE AND THE MAYOR AND CITY COUNCIL OF  
12 BALTIMORE CITY AND THE GOVERNING BODY OF EACH COUNTY AND OF EACH  
13 MUNICIPAL CORPORATION SHALL MAY SHALL GRANT AN ADDITIONAL A PROPERTY  
14 TAX CREDIT AS DESCRIBED IN THIS SUBSECTION, UNDER THIS SECTION AGAINST  
15 THE COUNTY OR MUNICIPAL CORPORATION PROPERTY TAX IMPOSED ON REAL  
16 PROPERTY IF:

17 ~~(+)~~ (1) THE HOMEOWNER IS OTHERWISE ELIGIBLE FOR THE  
18 CREDIT ALLOWED UNDER ~~SUBSECTION (B) OF THIS SECTION~~ § 9-105 OF THIS  
19 SUBTITLE;

20 ~~(H)~~ (2) ~~+~~ (I) THE DWELLING IS:

21 ~~A.~~ 1. DAMAGED OR DESTROYED DUE TO A NATURAL  
22 DISASTER; AND

23 ~~B.~~ 2. SUBSEQUENTLY REPAIRED OR RECONSTRUCTED;

24 ~~2.~~ (II) THE DWELLING IS REVALUED AFTER THE  
25 DWELLING IS REPAIRED OR RECONSTRUCTED; AND

26 ~~3.~~ (III) AS A RESULT OF THE REVALUATION, THE  
27 ASSESSMENT OF THE DWELLING EXCEEDS THE LAST ASSESSMENT OF THE  
28 DWELLING; AND

29 ~~(H)~~ (3) THE HOMEOWNER CLAIMING THE CREDIT HAD A LEGAL  
30 INTEREST IN THE DWELLING AT THE TIME THE DWELLING WAS DAMAGED OR  
31 DESTROYED AS DESCRIBED UNDER ~~ITEM (H) ITEM (2) OF THIS PARAGRAPH~~  
32 SUBSECTION.

33 ~~(2)~~ (B) THE AMOUNT OF THE PROPERTY TAX CREDIT ALLOWED UNDER  
34 THIS SUBSECTION SECTION SHALL EQUAL THE FOLLOWING PERCENTAGE OF MAY  
35 NOT EXCEED SHALL EQUAL 100% OF THE PROPERTY TAX ATTRIBUTABLE TO AN  
36 INCREASE IN THE ASSESSMENT OF THE DWELLING UPON REVALUATION UNDER §  
37 8-104(C)(1)(III) OF THIS ARTICLE, INCLUDING IMPROVEMENTS, OVER THE LAST  
38 ASSESSMENT OF THE DWELLING BEFORE THE ~~REPAIR OR RECONSTRUCTION~~



1 NATURAL DISASTER, LESS THE AMOUNT OF ANY ASSESSMENT ON WHICH A  
 2 PROPERTY TAX CREDIT UNDER ~~SUBSECTION (B)~~ § 9-105 OF THIS SECTION IS  
 3 AUTHORIZED, AS FOLLOWS: SUBTITLE HAS BEEN AUTHORIZED.

4 (C) A CREDIT UNDER THIS SECTION MAY NOT BE GRANTED FOR MORE THAN 5  
 5 YEARS.

6 (D) THE MAYOR AND CITY COUNCIL OF BALTIMORE CITY OR THE GOVERNING  
 7 BODY OF A COUNTY OR MUNICIPAL CORPORATION SHALL:

8 (1) ESTABLISH PROCEDURES OR REQUIREMENTS FOR THE  
 9 APPLICATION, REVIEW, AND APPROVAL OF TAX CREDITS UNDER THIS SECTION; AND

10 (2) NOTIFY THE DEPARTMENT OF ANY CREDITS THAT HAVE BEEN  
 11 GRANTED UNDER THIS SECTION.

12 (E) THE CREDIT UNDER THIS SECTION MAY NOT BE CLAIMED FOR A  
 13 DWELLING FOR WHICH REPAIR OR RECONSTRUCTION IS COMPLETED:

14 (1) BEFORE SEPTEMBER 18, 2003; OR

15 (2) AFTER DECEMBER 31, 2006.

16 (I) ~~90% FOR THE 1ST TAXABLE YEAR IN WHICH THE HOMEOWNER~~  
 17 ~~CLAIMS THE CREDIT;~~

18 (II) ~~80% FOR THE 2ND TAXABLE YEAR IN WHICH THE HOMEOWNER~~  
 19 ~~CLAIMS THE CREDIT;~~

20 (III) ~~70% FOR THE 3RD TAXABLE YEAR IN WHICH THE HOMEOWNER~~  
 21 ~~CLAIMS THE CREDIT;~~

22 (IV) ~~60% FOR THE 4TH TAXABLE YEAR IN WHICH THE HOMEOWNER~~  
 23 ~~CLAIMS THE CREDIT;~~

24 (V) ~~50% FOR THE 5TH TAXABLE YEAR IN WHICH THE HOMEOWNER~~  
 25 ~~CLAIMS THE CREDIT;~~

26 (VI) ~~40% FOR THE 6TH TAXABLE YEAR IN WHICH THE HOMEOWNER~~  
 27 ~~CLAIMS THE CREDIT;~~

28 (VII) ~~30% FOR THE 7TH TAXABLE YEAR IN WHICH THE HOMEOWNER~~  
 29 ~~CLAIMS THE CREDIT;~~

30 (VIII) ~~20% FOR THE 8TH TAXABLE YEAR IN WHICH THE HOMEOWNER~~  
 31 ~~CLAIMS THE CREDIT;~~

32 (IX) ~~10% FOR THE 9TH TAXABLE YEAR IN WHICH THE HOMEOWNER~~  
 33 ~~CLAIMS THE CREDIT; AND~~

34 (X) ~~0% FOR EACH TAXABLE YEAR THEREAFTER.~~

1           (3)    (4)    ~~IN ORDER TO QUALIFY FOR THE TAX CREDIT UNDER THIS~~  
 2 ~~SUBSECTION, A HOMEOWNER CLAIMING THE CREDIT MUST APPLY TO THE~~  
 3 ~~DEPARTMENT AS PRESCRIBED BY THE DEPARTMENT BY REGULATION.~~

4                   (II)    ~~THE APPLICATION SHALL ESTABLISH TO THE SATISFACTION OF~~  
 5 ~~THE DEPARTMENT THAT THE APPLICANT IS ELIGIBLE FOR THE TAX CREDIT~~  
 6 ~~ALLOWED UNDER THIS SUBSECTION.~~

7                   (III)   ~~IF APPROVED BY THE DEPARTMENT UNDER THIS PARAGRAPH,~~  
 8 ~~THE TAX CREDIT UNDER THIS SUBSECTION SHALL BE INCLUDED ON THE~~  
 9 ~~HOMEOWNER'S PROPERTY TAX BILL.~~

10 9-109.1.

11    (A)    SUBJECT TO SUBSECTION (B) OF THIS SECTION, THE MAYOR AND CITY  
 12 COUNCIL OF BALTIMORE CITY AND THE GOVERNING BODY OF EACH COUNTY AND OF  
 13 EACH MUNICIPAL CORPORATION MAY SHALL GRANT A TAX CREDIT UNDER THIS  
 14 SECTION AGAINST THE COUNTY OR MUNICIPAL CORPORATION PROPERTY TAX  
 15 IMPOSED ON REAL PROPERTY IF:

16           (1)    THE HOMEOWNER IS OTHERWISE ELIGIBLE FOR THE CREDIT  
 17 ALLOWED UNDER § 9-105 OF THIS SUBTITLE;

18           (2)    (I)    THE DWELLING IS:

19                                   1.    DAMAGED OR DESTROYED DUE TO A NATURAL DISASTER;

20 AND

21                                   2.    SUBSEQUENTLY REPAIRED OR RECONSTRUCTED;

22                   (II)    THE DWELLING IS REVALUED AFTER THE DWELLING IS  
 23 REPAIRED OR RECONSTRUCTED; AND

24                   (III)   AS A RESULT OF THE REVALUATION, THE ASSESSMENT OF THE  
 25 DWELLING EXCEEDS THE LAST ASSESSMENT OF THE DWELLING; AND

26           (3)    THE HOMEOWNER CLAIMING THE EXEMPTION HAD A LEGAL  
 27 INTEREST IN THE DWELLING AT THE TIME THE DWELLING WAS DAMAGED OR  
 28 DESTROYED AS DESCRIBED UNDER ITEM (2) OF THIS SUBSECTION.

29    (B)    A HOMEOWNER MAY RECEIVE A TAX CREDIT UNDER THIS SECTION ONLY  
 30 IF THE HOMEOWNER QUALIFIED FOR AND RECEIVED A TAX CREDIT UNDER § 9-109  
 31 OF THIS SUBTITLE AND IS NO LONGER RECEIVING A TAX CREDIT UNDER § 9-109 OF  
 32 THIS SUBTITLE.

33    (C)    THE AMOUNT OF THE PROPERTY TAX CREDIT ALLOWED UNDER THIS  
 34 SECTION ~~MAY NOT EXCEED~~ SHALL EQUAL 50% OF THE PROPERTY TAX  
 35 ATTRIBUTABLE TO AN INCREASE IN THE ASSESSMENT OF THE DWELLING UPON  
 36 REVALUATION UNDER § 8-104(C)(1)(III) OF THIS ARTICLE, INCLUDING  
 37 IMPROVEMENTS, OVER THE LAST ASSESSMENT OF THE DWELLING BEFORE THE

1 NATURAL DISASTER, LESS THE AMOUNT OF ANY ASSESSMENT ON WHICH A  
 2 PROPERTY TAX CREDIT UNDER § 9-105 OF THIS SUBTITLE HAS BEEN AUTHORIZED.

3 (D) A CREDIT UNDER THIS SECTION MAY NOT BE GRANTED FOR MORE THAN 3  
 4 YEARS.

5 (E) THE MAYOR AND CITY COUNCIL OF BALTIMORE CITY OR THE GOVERNING  
 6 BODY OF A COUNTY OR MUNICIPAL CORPORATION SHALL:

7 (1) ESTABLISH PROCEDURES OR REQUIREMENTS FOR THE  
 8 APPLICATION, REVIEW, AND APPROVAL OF TAX CREDITS UNDER THIS SECTION; AND

9 (2) NOTIFY THE DEPARTMENT OF ANY CREDITS THAT HAVE BEEN  
 10 GRANTED UNDER THIS SECTION.

11 (4) (F) THE CREDIT UNDER THIS SUBSECTION MAY NOT BE CLAIMED  
 12 FOR A DWELLING FOR WHICH REPAIR OR RECONSTRUCTION IS COMPLETED:

13 (1) BEFORE SEPTEMBER 18, 2003; OR

14 (2) AFTER DECEMBER 31, 2006.

15 ~~[(j)] (K) The Department shall adopt rules and regulations to implement this~~  
 16 ~~section.~~

17 ~~[(k)] (L) The tax credit under this section shall be known as the homestead~~  
 18 ~~property tax credit.~~

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
 20 June 1, 2005, and shall be applicable to all taxable years beginning after June 30,  
 21 2005.