

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 1017

(Prince George's County Delegation)

Ways and Means

Budget and Taxation

**Prince George's County - Property Tax Deferrals - Elderly and Disabled
Homeowners
PG 412-16**

This bill authorizes Prince George's County to provide, by law, a property tax payment deferral for residential real property occupied as the principal residence of the owner. To be eligible, the property owner must have lived in the dwelling for the previous five years and be at least 70 years of age. In addition, the combined gross income of specified individuals living in the dwelling may not exceed \$45,000. The bill requires that Prince George's County establish and promote a countywide public information, awareness, and education campaign on the property tax deferral program.

The bill takes effect June 1, 2016, and applies to taxable years beginning after June 30, 2016.

Fiscal Summary

State Effect: None.

Local Effect: Potential minimal decrease in Prince George's County property tax revenues during any deferral period. The amount of any revenue decrease depends on the nature of the deferral program that is established and the number of participants in a given year. Revenues will increase upon repayment. County expenditures may increase for implementation of the public awareness and marketing campaign. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: Prince George's County is authorized to enact a property tax deferral program. The bill requires the county to specify the following criteria if a deferral program is authorized: (1) the amount of tax that may be deferred; (2) restrictions on the amount of real property eligible for a payment deferral; (3) the duration of the payment deferral; (4) that an interest rate of up to 4% must be paid on the county property tax payment from the due date without a deferral until the date that the county property tax is paid; and (5) a requirement that any mortgagee or beneficiary under a deed of trust receive specified notification. The bill specifies that deferred county property taxes are due when the deferral ends, the eligible owner dies, or immediately on transfer of ownership of the property.

The bill also provides for other requirements and criteria related to the administration of property tax deferral payments in Prince George's County, including (1) a requirement that the cumulative amount of the tax deferral and interest be included in the taxpayer's annual property tax bill; (2) a lien must be attached to the property in the amount of all deferred taxes and interest and must remain until all deferred taxes and interest are paid; and (3) the deferral must be authorized by a written agreement reflecting the terms and conditions of the deferral. Finally, the bill provides that penalties may not be charged during the deferral period on deferred taxes.

Prince George's County must establish and promote a countywide public information, awareness, and education campaign on the property tax deferral program. The campaign must disseminate information about the property tax deferral program through written notice in the annual property tax bill, publication on the appropriate county websites, posters, and any other medium likely to reach resident taxpayers who may be eligible for the deferral program.

Current Law: Counties and municipalities are authorized to defer the payment of the increase in county and municipal property taxes for owner-occupied residential real property of an elderly or disabled homeowner, for property that is the principal residence of the individual.

Statute provides specified age and eligibility requirements (at least 65 years of age, living in the home for at least five years, and/or permanently or totally disabled). The law also provides for the procedures that local governments must follow when implementing a property tax deferral program, including payment dates, amounts of deferral and interest to be reported on annual tax bills, lien provisions, and penalties.

Background: Property tax deferral programs typically give low-income elderly homeowners the opportunity to defer payment of property taxes. Under most deferral programs, deferred property taxes become a lien against the value of the taxpayer's home. When the home is sold, any back taxes and interest are then due. If the homeowner dies, deferred taxes must be paid upon settlement of the estate.

Several Maryland counties offer a property tax deferral program for senior citizens and other special categories of homeowners. **Appendix 1** provides a brief summary of each local program. The State Department of Assessments and Taxation and the counties have indicated that only a small number of taxpayers have used the property tax deferral programs.

Local Fiscal Effect: Prince George's County property tax revenues may decrease as a result of the bill. The amount of any decrease cannot be reliably estimated and depends on the nature of any deferral program that is established by the county and the number of participants in a given year. However, because very few property owners typically use deferral programs, any associated revenue decrease is likely to be minimal. Revenues would increase in the years that any deferred payments are paid back. For fiscal 2016, there are 197,187 owner-occupied properties in Prince George's County; the average taxable value is \$190,319.

County expenditures may increase to implement the public awareness and marketing campaign mandated by the bill.

Additional Information

Prior Introductions: SB 623 of 2015 passed the Senate and received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: SB 256 (Senator Currie, *et al.*) - Budget and Taxation.

Information Source(s): Prince George's County, State Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - February 21, 2016
kb/hlb Revised - Enrolled Bill - May 4, 2016

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Appendix 1
Summary of Local Property Tax Deferral Programs

Jurisdiction

Program Summary

Anne Arundel County	Deferred tax payment program for owner-occupied homes of elderly (age 62 and over) or disabled individuals. Gross income limit of \$55,000. The program allows for a 50-year payment deferral of increases in net county residential real property taxes; the amount deferred may not exceed the increase in county property taxes on the date of deferral.
Annapolis	Deferred tax payment program for owner-occupied homes of elderly (age 65 and over) or disabled individuals. Gross income limit of \$50,000. The program allows for a 50-year payment deferral; the amount deferred may not exceed the increase in property taxes on the date of deferral. Interest accrues at 4% annually.
Baltimore County	Deferred tax payment program for owner-occupied homes of elderly (age 65 and over) or disabled individuals who have owned and occupied the property for the preceding five years. Gross income limit of \$30,000. The amount the taxpayer may defer for any one year is the amount that county taxes due exceed the amount of county property taxes paid the preceding taxable year. Accumulated deferred taxes and accrued interest may not exceed 20% of the assessed value of the property. Interest accrues at 9% annually.
Cecil County	Deferred tax payment program for owner-occupied homes of elderly (age 65 and over) or disabled individuals. Gross income limit of \$60,000. The homeowner may defer the amount by which the county property taxes due exceed the amount paid by the homeowner in the preceding taxable year. Accumulated deferred taxes and accrued interest may not exceed 50% of the assessed value of the property. Interest accrues at 0% annually.

Jurisdiction

Program Summary

Frederick County

Deferred tax payment program for owner-occupied homes of elderly (age 65 or older) or disabled individuals. Gross income limit of \$55,000. The amount deferred is the amount of increase in the county property tax from the date the homeowner elects to defer the payment of this tax. Only county property taxes are deferred, and taxes of a special taxing district, including the tax for fire and rescue services, may not be deferred. Interest accrues at 3% annually.

Harford County

Deferred tax installment program for taxpayers experiencing financial hardship with property deferred from annual tax sale. All prior taxes must be paid before a person is eligible for tax deferral. The taxpayer must pay the deferred taxes in monthly payments and have the deferred taxes paid by December 1 of the year in which the tax sale would have occurred. The interest must continue to accrue on the taxpayer's tax bill.

Howard County

Deferred tax payment program for property owners age 65 and over or disabled individuals who have lived in their current dwelling for the previous five years. Income cannot exceed \$75,000. The homeowner may defer the amount by which the county property taxes due exceed the amount paid by the homeowner in the preceding taxable year. Accumulated deferred taxes and accrued interest may not exceed 50% of the assessed value of the property. Interest accrues at 0% annually.

Montgomery County

Deferred tax payment program based on household income, rather than age. Specified residents may defer any increase in taxes over the tax liability at the time of the deferral. The homeowner must have resided at the property for five years and have a gross income of less than \$120,000. The deferral may not exceed 50% of the value of the property. The interest rate is set annually and based on the prime rate.

Jurisdiction

Program Summary

Prince George's County

Deferred tax payment program for owner-occupied homes of elderly (age 65 and over) or disabled individuals. Gross income may not exceed \$45,000 in the prior year. Deferred taxes may not exceed the increase in the county property tax rate from the date of deferral. The full amount of deferred taxes and interest may not exceed 50% of the full cash value of the property. Interest accrues at 9% annually.

Queen Anne's County

Deferred tax payment program for owner-occupied homes of elderly or disabled individuals. Gross income is limited to \$100,000. The program allows for a 50-year payment deferral equal to but not exceeding the increase in county property taxes on eligible real property taxes on the date of deferral. Interest accrues at 2% annually.

St. Mary's County

Deferred tax payment program for owner-occupied homes of elderly (age 65 and over) or disabled individuals who have owned and occupied the property for the preceding five years. Gross income limit of \$27,340 as adjusted annually by applying the National Consumer Price Index for All Urban Consumers and combined net worth of \$200,000. The amount of taxes that may be deferred for any one year is the amount that eligible taxes due exceeds the amount of eligible taxes in the base year. Interest rate charged on county taxes, currently 12%.

Source: Maryland Association of Counties; State Department of Assessments and Taxation; Department of Legislative Services
