

Department of Legislative Services  
Maryland General Assembly  
2022 Session

FISCAL AND POLICY NOTE  
Third Reader

House Bill 1398

(Delegate Attar, *et al.*)

Ways and Means

Budget and Taxation

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Property Taxes - Baltimore City Residential Retention Credit - Termination of  
Sunset

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This bill repeals the June 30, 2024 termination date of Chapter 623 of 2014, which provided for a residential retention property tax credit in Baltimore City. **The bill takes effect June 1, 2022.**

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Baltimore City property tax revenues continue to decrease beyond FY 2024. Baltimore City expenditures are not affected.

**Small Business Effect:** None.

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Analysis

**Current Law:** Chapter 623 of 2014 required Baltimore City to provide a property tax credit for homeowners who move into another dwelling in Baltimore City and who had previously received the Homestead Property Tax Credit for a home in the city for the preceding five years. Chapter 623 also allowed an additional credit amount if the new dwelling is located in specified low-income areas.

The tax credit is a fixed amount of \$4,000 to be applied to the homeowner's property tax bill over a five-year period as follows: (1) \$1,000 in the first year; (2) \$900 in the second year; (3) \$800 in the third year; (4) \$700 in the fourth year; and (5) \$600 in the

fifth year. The Mayor and Baltimore City Council may increase the total amount provided by up to an additional \$1,000 for a homeowner who purchases a dwelling located within a low- or moderate-income census tract, as designated by the U.S. Department of Housing and Urban Development and in which at least 51% of the persons living in the tract are in households earning 80% or less of the area median income. A homeowner residing within a low- or moderate-income census tract when the homeowner submits an application must remain eligible for the increased tax credit even if the census tract changes following the date of application and the homeowner would otherwise be ineligible for the increased credit during the five-year period.

Baltimore City may not allocate more than \$3.0 million for each year that applications for the tax credit are accepted to pay the total cost of the tax credits for the approved applicants during the year for the entire period during which the applicants will receive the tax credit and the cost of administering the tax credit by the Baltimore City Department of Finance.

A homeowner may not receive the tax credit or a portion of the tax credit, if, in any year, the application of the tax credit, or a portion of the tax credit, would reduce the homeowner's property tax liability below the homeowner's property tax liability for the dwelling previously occupied by the homeowner. In any year in which a homeowner receives a tax credit, the homeowner may not receive the local portion of the Homestead Property Tax Credit or any other property tax credit provided by Baltimore City. The tax credit may not be transferred to a person who purchases a dwelling from a homeowner who received the tax credit or a dwelling that is subsequently purchased by a homeowner who received the tax credit.

After the termination of the tax credit, a homeowner is entitled to the local portion of the Homestead Property Tax Credit, which must be calculated as if the homeowner had received the Homestead Property Tax Credit beginning in the second year the homeowner occupied the dwelling and based on the full assessed value of the dwelling in each year the homeowner received the tax credit.

The Baltimore City Finance Director must review and approve applications for the tax credit based on the date the application was received and the availability of the funds allocated for the tax credit. The Baltimore City Finance Department is authorized to adopt regulations as necessary to carry out the tax credit.

The Baltimore City Finance Department must evaluate the efficacy of the tax credit and submit a report of its findings and recommendations by December 31, 2018, and December 31, 2020, to the Mayor and Baltimore City Council, the Baltimore City House Delegation, the Baltimore City Senators, the Senate Budget and Taxation Committee, and the House Ways and Means Committee.

**Local Fiscal Effect:** Baltimore City government indicates that since the tax credit program’s implementation in fiscal 2016, a total of 25 taxpayers have applied and received the tax credit, with a cumulative cost over this period totaling approximately \$94,000. There are only 5 taxpayers from the original program who will receive this credit in fiscal 2023 and 3 of them will receive the credit in fiscal 2024. **Exhibit 1** shows the total number of tax credit recipients and the total amount of tax credits awarded since fiscal 2016 based on the December 2020 report.

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**Exhibit 1**  
**Baltimore City Portable Homestead Tax Credit Program**

<u>Fiscal</u>	<u>Number of Applicants</u>	<u>New Credit Recipients</u>	<u>Total Recipients</u>	<u>Total Credits</u>	<u>Average Credit</u>
2016	19	8	8	\$7,751	\$969
2017	4	1	9	7,605	845
2018	11	10	19	16,621	875
2019	6	4	22	19,500	886
2020	4	2	24	19,300	804
2021	0	0	17	13,400	788
<b>Total</b>				<b>\$84,177</b>	<b>\$850</b>

Source: Baltimore City Government

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Due to the program’s June 30, 2024 termination date, Baltimore City stopped accepting new applicants for the tax credit after the fiscal 2020 tax year. Pursuant to this bill, Baltimore City will be able to start accepting new applicants for the tax credit program. Baltimore City assumes that about 10 individuals will apply for the tax credit during the first year of the proposed extension, with the number of applicants increasing each year. Based on these factors, Baltimore City projects that revenues will decrease by \$13,700 in fiscal 2023 and by \$44,900 in fiscal 2027. Over the five-year period, Baltimore City revenues will decrease by a cumulative amount totaling \$147,600.

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**Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - March 14, 2022  
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