



House Bill 220

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

MACo Position: **OPPOSE**

To: Ways and Means Committee

Date: February 13, 2024

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **OPPOSES** HB 220, as it 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 purchase.

Counties oppose this bill because it compromises the basic nature of the Homestead Property Tax Credit and threatens a severe fiscal impact on 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 its authority to lower its cap, giving security to homeowners beyond that required by the State.

However, if the tax credit were expanded to all homes transferred to new homeowners, counties could lose up to \$16 million of their most reliable revenue source by fiscal 2028, according to the bill’s 2023 fiscal note. Counties could be forced to eliminate their expansions of the Homestead Property Tax Credit where feasible – or, potentially, cut budgets for schools, housing, 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 several factors can impact the bill’s year-to-year revenue effect. For example, the fiscal note for HB 1445 of 2018 (an earlier introduction of the current HB 220) used data from fiscal 2017 (a more robust housing market than today’s) and projected local property tax revenue losses of \$85 million by fiscal 2023.

HB 220 subverts the primary policy goal of this longstanding and successful homeowner program and jeopardizes millions of dollars in revenue for essential local services. For these reasons, MACo urges the Committee to issue an **UNFAVORABLE** report on HB 220.