



THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Testimony in Support of SB0006 - Property Tax - Credit for Dwelling House of Disabled Veterans - Alterations

Madame Chair, Madame Vice Chair, and Members of the House Ways and Means Committee:

SB0006 closes a loophole in Maryland tax law that unintentionally prevents veterans in our state from receiving the property tax credit that they are owed and that the Maryland General Assembly intended for them to receive. Under current law, veterans who have been classified as 100%—but not permanently—disabled receive no property tax credit benefit whatsoever. That clearly is not the original intent of the MGA. This bill seeks to rectify that.

Background

VA Disability Ratings

A short primer on VA disability ratings may be helpful. VA disability ratings are part of the United States Department of Veterans Affairs (VA) system to compensate veterans for service-connected disabilities. Service-connected disabilities are injuries or illnesses that occurred or were aggravated during military service. Disability ratings are assigned a rating from 0% to 100%. The rating reflects the severity of the disability, with 0% indicating a minor disability and 100% indicating total disability. If a veteran has multiple disabilities, the VA uses a formula to combine them into a single disability rating. It's not a simple addition; the combined rating is less than the sum of individual ratings.

The VA also assigns each disability a permanency status. Some disabilities may be subject to periodic reevaluation to assess if there have been changes in their severity, and consequently, a veteran may have a 90% non-permanent disability rating. The purpose of these reevaluations is to determine if the disability still exists, if it has improved, or if it has worsened. Based on the assessment, the VA may adjust the disability rating accordingly. Even if a disability is initially considered non-permanent, it can later be classified as permanent if it is determined that the condition is unlikely to improve substantially.

A permanent disability is a condition that is not expected to improve significantly over time. Veterans with permanent disabilities may not be subject to regular reevaluations, or the reevaluations may occur less frequently. The designation of "permanent" doesn't necessarily

mean that the condition can never improve, but rather that improvement is not anticipated based on current medical understanding.

Existing Law

Under § 9–265 of the Property Tax Article, Maryland law provides counties and Baltimore City the option to credit a proportion of a household’s property tax bill based on the homeowner’s status as a disabled veteran. Veterans who have been declared by the U.S. Department of Veterans Affairs to have a service-connected disability rating of at least 75% but not more than 99% are entitled to a credit of 50% of their county or municipal property tax bill. Similarly, veterans with a service-connected disability rating of at least 50% but not more than 74% are entitled to a credit of 25%. There is no requirement for the disability rating to be permanent under § 9–265.

Separately, under § 7–208 of the same Article, veterans who have been declared by the U.S. Department of Veterans Affairs to have a permanent 100% service-connected disability are entitled to a full property tax exemption.

In the rare case where the U.S. Department of Veterans Affairs classifies a veteran as having a 100%—but not permanent—service-connected disability, current Maryland law does not provide for any property tax relief whatsoever.

Solution

SB0006 would:

- Provide a 50% property tax credit to veterans who are 100%—but not permanently—disabled. If a veteran’s disability status changed to permanent, they would be entitled to a full property tax exemption.
- Continue to allow counties and Baltimore City to monitor the disability status for veterans who are not permanently 100% disabled.

Per the Fiscal Note, SB0006 would not have a state fiscal impact. The impact on local revenue would be limited as the population affected by this bill is small. SB0006 is in a nearly identical posture as its cross-file, HB63. However, the Senate Budget and Taxation Committee added an opt-in provision that does not accurately reflect the nature of this problem. These bills do not expand the scope of the property tax exemption; they simply close a small loophole. Creating an opt-in would require additional legislative action from the counties that could delay access to the property tax exemption for the limited number of veterans that will become newly eligible. For this reason, I have submitted an amendment that strikes this addition to the Senate bill, which would conform it to the House bill.

As the spouse of a service-disabled veteran, this matter has personal significance to me. I am also grateful for one of my constituents for bringing this issue to my attention. For these reasons, I respectfully request a favorable report on SB0006.