

Department of Legislative Services

Maryland General Assembly

2024 Session

FISCAL AND POLICY NOTE

Third Reader - Revised

(Senator Gile, *et al.*)

Senate Bill 6

Budget and Taxation

Ways and Means

Property Tax - Credit for Dwelling House of Disabled Veterans - Alterations

This bill alters the eligibility criteria for a local option property tax credit for the dwelling house of specified disabled veterans to include individuals who have been declared by the U.S. Department of Veterans Affairs to have a nonpermanent service-connected disability of 100% that results from blindness or any other disabling cause that was not caused or incurred by misconduct. Local governments, however, are authorized to limit eligibility for the property tax credit to the existing criteria established under current law. A veteran who qualifies for a specified property tax exemption is not eligible to receive the property tax credit. **The bill takes effect June 1, 2024, and applies to taxable years beginning after June 30, 2024.**

Fiscal Summary

State Effect: None.

Local Effect: County and municipal property tax revenues may decrease beginning in FY 2025 to the extent that local jurisdictions grant the property tax credit and the changes to existing eligibility requirements result in additional individuals becoming eligible for the property tax credit. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law:

Real Property Tax Exemption for Disabled Veterans

The real property owned by disabled veterans, as their legal residence, is exempt from taxation, if specified requirements are met. A disabled veteran is an individual who is honorably discharged or released under honorable circumstances from active service in any branch of the U.S. Armed Forces. To qualify for the tax exemption, the disabled veteran must have a 100% service-connected disability rating. Real property owned by the surviving spouse of a disabled veteran and the surviving spouse of an individual who died in the line of duty while in active military, naval, or air service of the United States is exempt from taxation. In addition, a home owned by the surviving spouse of a veteran of the U.S. Armed Forces who receives Dependency and Indemnity Compensation from the U.S. Department of Veterans Affairs is eligible for a property tax exemption under specified circumstances.

Local Property Tax Credit for Disabled Veterans

County and municipal governments are authorized to grant a property tax credit against the county or municipal property tax imposed on a dwelling house of a disabled veteran. In order to qualify for the property tax credit, the disabled veteran's federal adjusted gross income for the immediately preceding taxable year cannot exceed \$100,000. Local governments are authorized to continue providing the property tax credit to the surviving spouse of the veteran. The amount of the property tax credit is based on the disabled veteran's level of service-connected disability.

The property tax credit is equal to:

- 50% of the county or municipal property tax for a service-connected disability rating of at least 75% but not more than 99%; or
- 25% of the county or municipal property tax for a service-connected disability rating of at least 50% but not more than 74%.

A disabled veteran must apply for the property tax credit by providing to the county or municipality (1) a copy of the disabled veteran's discharge certificate from active military, naval, or air service and (2) a certification of the disabled veteran's disability from the Veterans Administration. The disabled veteran's certificate of disability may not be inspected by individuals other than the disabled veteran or appropriate employees of the county or municipality.

A disabled veteran is defined as an individual who (1) is honorably discharged or released under honorable circumstances from active military, naval, or air service as defined in 38 U.S.C. § 101 and (2) has been declared by the Veterans Administration to have a permanent service-connected disability of at least 50% that results from blindness or any other disabling cause that is reasonably certain to continue for the life of the veteran and was not caused or incurred by misconduct of the veteran.

A dwelling house is defined as real property that is (1) the legal residence of a disabled veteran and is not occupied by more than two families and (2) includes the lot or curtilage and structures necessary to use the real property as a residence.

Local Fiscal Effect: County and municipal property tax revenues may decrease beginning in fiscal 2025, to the extent that local jurisdictions grant the property tax credit and the changes to existing eligibility requirements result in additional individuals becoming eligible for the property tax credit. Depending on the jurisdiction, the revenue decrease may be significant. The amount of the revenue decrease depends on the number of eligible homeowners, the value of residential property tax assessments, and local property tax rates. However, since local governments are authorized to limit eligibility for the property tax credit to the existing criteria established under current law, any additional fiscal impact resulting from the legislation will be determined by the actions taken by the county or municipal governments in adopting the expanded tax credit eligibility.

Anne Arundel and Frederick counties have authorized the property tax credit to disabled veterans and surviving spouses of disabled veterans.

Additional information on local property tax rates and revenues can be found in the [County Revenue Outlook Report – Fiscal 2024](#). A copy of the report is available on the Department of Legislative Services website.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 63 (Delegate Pruski) - Ways and Means.

Information Source(s): Baltimore City; Anne Arundel, Baltimore, Charles, Howard, and Garrett counties; Maryland Association of Counties; towns of Bel Air and Leonardtown; Maryland Municipal League; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History:
rh/hlb

First Reader - January 17, 2024

Third Reader - March 25, 2024

Revised - Amendment(s) - March 25, 2024

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