

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 286

(Chair, Budget and Taxation Committee)(By Request -
Departmental - Assessments and Taxation)

Budget and Taxation

Ways and Means

**Homeowners' and Homestead Property Tax Credits - Application Filing
Deadline - Extension**

This departmental bill authorizes the State Department of Assessments and Taxation (SDAT) to accept an application for the homeowners' property tax credit submitted by a homeowner within three years after April 15 of the taxable year for which the credit is sought if the homeowner is enrolled in the Homeowner Protection Program. The bill also requires SDAT to grant a homestead property tax credit to a homeowner who is at least 70 years old if the homeowner applies for the credit in the current taxable year and was eligible for the credit in the prior taxable year but failed to file an application for the credit. The bill also provides these homeowners with a retroactive homestead property tax credit under certain circumstances. **The bill takes effect June 1, 2024, and applies to taxable years beginning after June 30, 2024. The provisions of the bill regarding the retroactive homestead property tax credit apply to taxable years beginning after June 30, 2022, and sunset on June 30, 2025.**

Fiscal Summary

State Effect: General fund expenditures for the homeowners' property tax credit increase beginning in FY 2025. The amount of the expenditure increase depends on the number of eligible homeowners who receive a retroactive property tax credit. Annuity Bond Fund (ABF) revenues decrease beginning in FY 2025 as a result of additional homestead property tax credits.

Local Effect: To the extent that more homeowners become eligible for the homeowners' property tax credit, local governments that provide a supplement to the State homeowners' property tax credit will realize a decrease in revenues. Local government property tax

revenues decrease beginning in FY 2025 as a result of additional homestead property tax credits.

Small Business Effect: SDAT has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services disagrees with this assessment as the bill does not directly impact small businesses in the State. (This assessment does not reflect amendments to the bill.)

Analysis

Current Law: SDAT may accept an application for the homeowners' property tax credit from a homeowner within (1) one year after April 15 of the taxable year for which the property tax credit is sought, if the homeowner is applying for the first time or has filed an application on or before October 1 in each of the three taxable years immediately preceding the taxable year for which the credit is sought or (2) three years after April 15 of the taxable year for which a credit is sought, if the homeowner is at least 70 years old as of the taxable year for which a credit is sought and was eligible for the homeowners' property tax credit for the taxable year for which the credit is sought.

Chapters 129 and 130 of 2022 required SDAT to retroactively grant the homestead property tax credit for the prior taxable year, upon receiving an application from the homeowner, if the homeowner is determined to be eligible for the property tax credit.

Background:

State Tax Sale Ombudsman

Chapter 730 of 2019 established the State Tax Sale Ombudsman within SDAT to, among other things, (1) actively assist eligible homeowners to apply for tax credits, discount programs, and other public benefits that may assist the homeowners to pay delinquent taxes and improve their financial situation; (2) refer eligible homeowners to legal services, housing counseling, and other social services that may assist the homeowners to pay delinquent taxes and improve their financial situation; and (3) maintain a toll-free telephone number that a homeowner may call to obtain individualized personal assistance with delinquent taxes.

SDAT must annually publish on its website and submit to the Senate Budget and Taxation Committee and the House Committee on Ways and Means a report that includes (1) an analysis and summary of tax sale information collected through a required annual survey of the counties and (2) information on the activities of the ombudsman, including a summary of the implementation of the Homeowner Protection Program.

Homeowner Protection Program and Fund

Chapter 382 of 2021 established the Homeowner Protection Program administered by the State Tax Sale Ombudsman, and the Homeowner Protection Fund to support the program. The program diverts vulnerable homeowners from the private tax lien sale process into an alternative program – through the purchase of a homeowners’ lien, whether before or after the lien is sold at a tax sale – in order to (1) minimize tax collection costs to homeowners; (2) assist homeowners to pay their taxes; and (3) allow homeowners to remain in their homes.

By June 30 each year, SDAT must determine the maximum number of homeowners who may be enrolled in the program in the next succeeding fiscal year based on the amount of funding available for the program in the Homeowner Protection Fund.

The ombudsman must (1) prominently advertise the program and make applications available on the ombudsman’s website and (2) collaborate with local governments, community organizations, and public and private providers of social services and benefits to raise awareness of the program and disseminate applications.

The Homeowner Protection Fund consists of (1) tax and interest payments made to the department by homeowners enrolled in the program; (2) money appropriated in the State budget to the fund; (3) interest earnings; and (4) any other money from any other source accepted for the benefit of the fund. For each of fiscal 2023 through 2025, the Governor is required to include an appropriation of \$750,000 for the fund in the annual budget bill. The fund may be used only for any expenses associated with the program. The fund may not be used for any expenses of the tax sale ombudsman’s office that are not directly related to the program. Expenditures from the fund may be made only in accordance with the State budget, and the fund is the exclusive source of funding for the program.

Chapter 316 of 2023 established that it is the intent of the General Assembly that at least 2% of the balance in the Homeowner Protection Fund be spent each year to conduct specified outreach to encourage homeowners in tax sale to enroll in the Homeowner Protection Program. Chapter 316 also (1) established authority of the State Tax Sale Ombudsman to conduct the outreach and gather related information and (2) required that a summary of the outreach conducted by the ombudsman be included in a specified annual report.

Homeowners’ Property Tax Credit Program

The Homeowners’ Property Tax Credit Program is a State-funded program that provides credits against State and local real property taxation for homeowners who qualify based on a sliding scale of property tax liability and income. Counties and municipalities have the authority to enact local supplements to the program; the cost of such supplemental credits

must be borne by the local governments. The fiscal 2024 State budget includes \$56.5 million in funding for the program.

Generally, homeowners must apply to SDAT each year in order to be eligible for the property tax credit. The application is available on the department's website; current applications may be filed through October 1, 2024.

Chapters 528 and 529 of 2023 altered the application requirements for the Homeowners' Property Tax Credit Program for individuals who receive income only from social security, a pension, or an annuity. In these situations, the homeowner must submit a regular application in the first year that the individual applies for the property tax credit and a more abbreviated certification for the next two years. In the following third year, the homeowner will once again have to submit a regular application in order to remain eligible for the property tax credit.

Approximately 45,000 individuals receive the property tax credit each year.

Homestead Property Tax Credit

The homestead property tax credit program (assessment caps) provides tax credits against State, county, and municipal real property taxes for owner-occupied residential properties for the amount of real property taxes resulting from an annual assessment increase that exceeds a certain percentage or "cap" in any given year. The State requires the cap on assessment increases to be set at 10% for State property tax purposes; however, local governments have the authority to lower the cap. A majority of local subdivisions have assessment caps below 10%.

Subject to submitting a specified application to SDAT and having the application approved, the department must authorize and the State, a county, or a municipality must grant a homestead property tax credit for a taxable year unless during the previous taxable year (1) the dwelling was transferred for consideration to new ownership; (2) the value of the dwelling was increased due to a change in the zoning classification of the dwelling initiated or requested by the homeowner or anyone having an interest in the property; (3) the use of the dwelling was changed substantially; or (4) the assessment of the dwelling was clearly erroneous due to an error in calculation or measurement of improvements on the real property. In addition, in order to qualify for the property tax credit, a homeowner must actually reside in the dwelling by July 1 of the taxable year for which the property tax credit is to be allowed. A homeowner may claim a property tax credit for only one dwelling.

State Revenues: ABF revenues decrease beginning in fiscal 2025 depending on the number of homeowners who receive additional homestead property tax credits.

SDAT reports that approximately 1.2 million homeowners currently receive the homestead property tax credit and that there are approximately 1.9 million residential real property accounts, as shown in **Exhibit 1**. **Exhibit 2** shows the average homestead property tax credit for State and county purposes for fiscal 2024 as well as the value of the property tax credit, based on fiscal 2024 county real property tax rates and the State property tax rate of \$0.112 per \$100 of assessment.

Exhibit 1
Residential Property Accounts and Homestead Property Tax Credit Recipients
Fiscal 2024

County	Homestead Recipients	Residential Accounts
Allegany	11,820	25,358
Anne Arundel	141,453	188,767
Baltimore City	97,658	196,915
Baltimore	173,682	246,815
Calvert	19,919	32,760
Caroline	7,268	10,326
Carroll	41,986	55,342
Cecil	21,324	34,621
Charles	30,297	53,572
Dorchester	6,903	13,545
Frederick	56,398	88,059
Garrett	6,952	16,057
Harford	56,086	84,367
Howard	71,054	96,160
Kent	4,972	8,127
Montgomery	207,050	305,891
Prince George's	155,338	248,215
Queen Anne's	13,569	18,966
St. Mary's	23,531	36,281
Somerset	3,202	8,297
Talbot	11,092	15,812
Washington	27,037	45,731
Wicomico	14,128	32,297
Worcester	15,951	54,555
Total	1,218,670	1,916,836

Source: State Department of Assessments and Taxation

Exhibit 2
Average State and County Homestead Property Tax Credits
Fiscal 2024

County	Average County Homestead	Average State Homestead	County Homestead Value	State Homestead Value
Allegany	\$8,419	\$4,341	\$82	\$5
Anne Arundel	91,533	17,823	897	20
Baltimore City	26,032	19,360	585	22
Baltimore	19,449	16,290	214	18
Calvert	15,514	15,514	144	17
Caroline	17,794	11,414	174	13
Carroll	14,888	9,617	152	11
Cecil	10,852	14,304	108	16
Charles	14,351	8,190	173	9
Dorchester	9,458	9,996	95	11
Frederick	20,792	8,920	220	10
Garrett	18,293	33,441	193	37
Harford	6,586	14,018	64	16
Howard	21,722	15,231	272	17
Kent	12,657	9,891	129	11
Montgomery	25,217	25,217	262	28
Prince George's	84,046	14,415	1,155	16
Queen Anne's	17,799	9,347	148	10
St. Mary's	17,013	11,615	144	13
Somerset	9,040	9,040	90	10
Talbot	137,256	18,510	1,020	21
Washington	16,819	9,548	156	11
Wicomico	13,155	7,996	116	9
Worcester	36,146	14,656	305	16

Source: State Department of Assessments and Taxation; Department of Legislative Services

Impact on Debt Service Payments

Debt service payments on the State's general obligation (GO) bonds are paid from the ABF. Revenue sources for the fund include State property taxes, premium from bond sales, and repayments from certain State agencies, subdivisions, and private organizations. General funds may be appropriated directly to the ABF to make up any differences between the

debt service payments and funds available from property taxes and other sources. The fiscal 2025 State budget includes \$1.5 billion for GO debt service costs, including \$376.1 million in general funds, \$1.1 billion in special funds from the ABF, \$7.0 million in transfer tax revenues, and \$4.9 million in federal funds.

To offset the reduction in State property tax revenues, general fund expenditures could increase in an amount equal to the decrease in the ABF revenues, or the State property tax rate would have to be increased to meet debt service payments. This assumes that the ABF does not have an adequate fund balance to cover the reduction in State property tax revenues.

State Expenditures: General fund expenditures for the Homeowners' Property Tax Credit Program increase beginning in fiscal 2025 depending on the number of eligible homeowners who receive a retroactive property tax.

SDAT indicates that nine homeowners are currently enrolled in the Homeowner Protection Program, with another seven homeowners expected to be enrolled by the end of January 2024. The department estimates that up to 75 homeowners will be enrolled in the program by the end of fiscal 2024. The average homeowners' property tax credit for fiscal 2020 through 2022 totaled \$1,461.

As a point of reference, if 25 homeowners enrolled in the Homeowner Protection Program qualify for a one-year retroactive property tax credit, general fund expenditures will increase by approximately \$36,500. If these individuals qualify for a three-year retroactive tax credit, general fund expenditures will increase by approximately \$109,500.

Local Fiscal Effect: Local governments are authorized to grant a local supplement to the Homeowners' Property Tax Credit Program. While SDAT administers the local program, local governments are responsible for covering the cost of the local supplement. Currently, Baltimore City and 13 counties (Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Charles, Frederick, Garrett, Harford, Howard, Kent, Montgomery, and Washington) provide a local supplement to the State program. In addition, several municipalities also provide a local supplement.

Local government revenues decrease beginning in fiscal 2025 depending on the number of homeowners who receive additional homestead property tax credits.

Additional Information

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

Designated Cross File: HB 154 (Chair, Ways and Means Committee)(By Request - Departmental - Assessments and Taxation) - Ways and Means.

Information Source(s): Comptroller's Office; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - January 16, 2024
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Revised - Amendment(s) - March 25, 2024
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Homeowners' Property Tax Credit - Application Filing Deadline -
Extension for Homeowner Protection Program Enrollees

BILL NUMBER: SB 286

PREPARED BY: Bob Yeager

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This proposed bill supports small businesses because it helps prevent homeowners from being displaced through tax sale, which can create neighborhood instability and negatively impact local small businesses.