Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 287 (Delegate Charkoudian, *et al.*)
Ways and Means Budget and Taxation

Property Tax - Renters' Property Tax Relief Program - Assets Calculation

This bill alters the definition of assets for purposes of the Renters' Property Tax Relief Program to exclude the cash value of any qualified retirement savings plan or individual retirement accounts. **The bill takes effect June 1, 2024, and applies to taxable years beginning after June 30, 2024.**

Fiscal Summary

State Effect: General fund expenditures increase beginning in FY 2025 to the extent that additional renters qualify for the tax credit. Based on current application data, general fund expenditures are not expected to increase by a significant amount. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Renters' Property Tax Relief Program provides financial assistance for elderly, disabled, and certain low-income renters from the cost attributable to State and local real property taxes. The concept behind the program is that renters indirectly pay property taxes as part of their rent and, thus, should have some protection, as do homeowners. The program makes payments directly to eligible renters to provide relief for the "assumed property tax" that renters indirectly pay as part of their rent. The fiscal 2025 State budget includes $4.4 million for the program.

The program is based on an "assumed property tax bill" equal to 15% of rent paid. As under the Homeowners' Property Tax Credit Program, qualification is based on a sliding scale of assumed property tax liability and income. If the portion of rent attributable to the assumed property taxes exceeds a fixed amount in relation to income, the renter can, under specified conditions, receive a maximum credit of $1,000. A renter's combined net worth cannot exceed $200,000.

The amount of the property tax credit is the difference between the assumed 15% of occupancy rent and a calculated tax limit. The tax limit is calculated by applying specified percentages to the homeowners' gross income. The percentages applied to the combined income that are used to calculate the property tax limit are (1) 0% of the first $4,000 of combined income; (2) 2.5% of the next $4,000 of combined income; and (3) 5.5% of the combined income over $8,000.

State Fiscal Effect: General fund expenditures increase beginning in fiscal 2025 to the extent that additional renters qualify for the tax credit. The State Department of Assessments and Taxation advises that for 2021 and 2022, no renters were denied the tax credit for exceeding the net worth limit and of applications processed, to date, for 2023, only three renters have been denied the tax credit for exceeding the net worth limit. As a result, the department estimates that the change proposed by the bill will have a minimal impact on general fund expenditures.

The average renters' property tax credit is $450. In fiscal 2022, 5,769 renters received the tax credit. As a point of reference, if 100 additional renters become eligible for the program, general fund expenditures increase by approximately $45,000.

Additional Information

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

Designated Cross File: SB 342 (Senator McCray) - Budget and Taxation.

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

Fiscal Note History: First Reader - January 23, 2024
km/hlb Third Reader - March 14, 2024
Revised - Amendment(s) - March 14, 2024

Analysis by: Michael D. Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510