Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1244 (Delegate Muse, *et al.*)
Ways and Means

Homeowners Property Tax Credit

This bill alters the computation of a Homeowners Property Tax Credit by decreasing the liability percentage for the second income bracket from 2.5% to 1.0%, decreasing the percentage for the third income bracket from 5.5% to 4.5%, and decreasing the percentage for the fourth income bracket from 7.5% to 6.5%. The bill also requires the Department of Assessments and Taxation to study the effects of this adjustment to the Homeowners Property Tax Credit program and report its findings to the Governor and General Assembly by December 1, 1999.

This bill is effective July 1, 1998, and applicable to tax credits for all taxable years beginning after June 30, 1999.

Fiscal Summary

State Effect: State expenditures would increase by $324,000 in FY 1999, and by $10.0 million in FY 2000. Revenues would not be affected.

(in thousands)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	$0	$0	$0	$0	$0
GF Expenditures	324	10,034	9,745	9,482	9,194
Net Effect	($324)	($10,034)	($9,745)	($9,482)	($9,194)

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

Bill Summary: The homeowners circuit breaker property tax credit program is a State funded program that provides credits against State and local real property taxes for qualifying homeowners. Originally enacted in 1975, the program is designed primarily to provide tax credits for elderly and disabled homeowners. Qualification is based on a sliding scale of property tax liability and income. Only the taxes associated with the first $60,000 of assessed valuation of an individual's principal residence may qualify for the credit, and any taxpayer with a net worth of more than $200,000, excluding the value of the home, is currently ineligible for a credit. Under this bill, the number and amount of tax credits issued to qualified homeowners would be determined by the following sliding scale of property tax liability and income:

- 0.0% liability for the first $4,000 of income;
- 1.0% liability for the next $4,000 of income;
- 4.5% liability for the next $4,000 of income;
- 6.5% liability for the next $4,000 of income; and
- 9.0% liability for all income above $16,000.

State Expenditures: Based on information from current homeowners tax credit recipients, it is estimated that this bill would increase the Homeowners Tax Credit for approximately 84,000 credit recipients, and would cause an additional 20,000 credit applications to be processed annually. The Department of Assessments and Taxation will require four Office Clerk II positions at a fiscal 1999 cost of $76,500 as well as funding for computer upgrades and operating expenses at a cost of $247,000. Total fiscal 1999 expenditures will be $323,500. While this bill becomes effective in fiscal 1999, the first year in which an increase in credit expenditures will be realized is fiscal 2000. Total expenditures for fiscal 2000 are estimated at $10.0 million, with future year expenditure estimates reflecting 3% decreases in credit expenditures.

Information Sources: Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History:	First Reader - March 11, 1998
lc	Revised - House Third Reader - March 27, 1998
	Revised - Enrolled Bill - May 13, 1998

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