

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 397 (Delegate Clagett. *et al.*)

Ways and Means

Homeowners Property Tax Credit - Net Worth Limitation

This bill increases the combined net worth limitation for the Homeowners Property Tax Credit program from \$200,000 to \$300,000.

This bill is effective October 1, 1998, and is applicable to all taxable years after June 30, 1999.

Fiscal Summary

State Effect: Potential significant increase in expenditures beginning in FY 2000. Revenues would not be affected.

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

Background: 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 Originally enacted in 1975, the program is designed primarily for elderly and disabled homeowners.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. The average fiscal 1997 tax credit amount granted is \$665.

State Expenditures: Raising the net worth limitation for the Homeowners Tax Credit

program to \$300,000 will increase the number of applicants that are eligible to receive a tax credit, thus increasing State expenditures for the program beginning in fiscal 2000.

An average of approximately 230 tax credit applications are rejected each fiscal year by the Department of Assessments and Taxation because an applicant's net worth is greater than \$200,000. Assuming that an additional 230 applicants would be eligible with the net worth limitation set at \$300,000, State expenditures would increase by approximately \$153,000 in fiscal 2000 based on an average credit of \$665.

Since individuals with a net worth of greater than \$200,000 are unlikely to file a credit application, increasing the net worth limitation will increase the number of eligible credit applications the department will receive and process each year. The exact number of new applicants that will receive a credit cannot be reliably estimated at this time. If, for example, 500 additional eligible applications were received, fiscal 2000 expenditures would increase by an additional \$332,500. The total estimated increase in expenditures would be \$485,500 in fiscal 2000. Future year expenditures would decline by 3% annually due to increasing income for credit applicants.

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

Fiscal Note History: First Reader - February 17, 1998

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