SB 438

Department of Legislative Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 438 (Senator Stone)
Budget and Taxation

Homeowners Property Tax Credit - Income Eligibility

This bill excludes an annuity distribution that is not taxable as income by the State from the definition of "gross income" used to determine eligibility for a homeowners tax credit.

This bill is effective July 1, 1998.

Fiscal Summary

State Effect: Indeterminate increase in State expenditures beginning in FY 1999. 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 Originally enacted in 1975, the program is designed primarily to provide tax credits for elderly and disabled homeowners.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. The number and amount of tax credits issued to qualified homeowners are determined by the following sliding scale of property tax liability and income:

- 0.0% liability for the first $4,000 of income;

- 2.5% liability for the next $4,000 of income;
- 5.5% liability for the next $4,000 of income;
- 7.5% liability for the next $4,000 of income; and
- 9.0% liability for all income above $16,000.

The current definition of "gross income" for the homeowners tax credit program includes: (1) any benefit under the Social Security Act or the Railroad Retirement Act; (2) the aggregate of gifts over $300; (3) alimony; (4) support money; (5) any nontaxable strike benefit; (6) public assistance received in a cash grant; (7) a pension; (8) an annuity; (9) any unemployment insurance benefit; (10) any workers' compensation benefit; (11) the net income received from a business, rental, or other endeavor; and (12) any rent on the dwelling, including the rent from a room or apartment.

State Expenditures: This bill would increase credit amounts granted to some current recipients and expand the number of individuals who are eligible to receive a homeowners tax credit. The Department of Legislative Services does not, however, have any data on which to base an estimate of the expenditure increase.

Information Sources: Department of Assessments and Taxation, Comptroller of the Treasury (Bureau of Revenue Estimates), Department of Legislative Services

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