HB 135

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 135 (Delegate Clagett, *et al.*)
Ways and Means

Homeowners Circuit Breaker Property Tax Credit

This bill alters the computation of the Homeowners Circuit Breaker Property Tax Credit by: (1) increasing the assessment eligible for the credit from $60,000 to $80,000; (2) increasing the income brackets from multiples of $4,000 to multiples of $5,000; and (3) increasing the maximum allowable net worth of recipients from $200,000 to $250,000.

The bill is effective July 1, 1999, and applicable to tax credits for all taxable years beginning after June 30, 2000.

Fiscal Summary

State Effect: State expenditures would increase by $105,700 in FY 2000, and by $14.0 million in FY 2001. Future expenditures reflect a 3% decline in credit expenditures. Revenues would not be affected.

(in thousands)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	$0	$0	$0	$0	$0
GF Expenditures	106	14,020	13,600	13,200	12,800
Net Effect	($106)	($14,020)	($13,600)	($13,200)	($12,800)

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

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 Originally enacted in 1975, the program is designed primarily to provide tax credits for elderly and disabled homeowners.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.

State Expenditures: Under this bill, the taxes associated with the first $80,000 of assessed valuation of an individual's principal residence may qualify for the credit, and any taxpayer with a net worth of more than $250,000, excluding the value of the home, would be ineligible for a credit. Also, 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% of the 1st $5,000 of combined income;
- 1.0% of the 2nd $5,000 of combined income;
- 4.5% of the 3rd $5,000 of combined income;
- 6.5% of the 4th $5,000 of combined income; and
- 9.0% for all income over $20,000.

Based on information from current homeowners tax credit recipients, it is estimated that this bill would increase the homeowners tax credit for approximately 80,700 current credit recipients and result in 17,000 new credit applications. While this bill becomes effective in fiscal 2000, the first year in which an increase in credit expenditures will be realized is fiscal 2001. Therefore, the expansion of this program is estimated to increase credit expenditures by $13.9 million in fiscal 2001. Future year estimates reflect a 3% decrease in credit expenditures.

The Department of Assessments and Taxation will require 4 office clerk II positions to handle the additional credit applications at a fiscal 2000 cost of $82,600, plus funding for computer upgrades and operating expenses at a cost of $23,200. Thus, total fiscal 2000 expenditures will be $105,800 and total fiscal 2001 expenditures are estimated at $14.0 million.

Information Source(s): Department of Assessments and Taxation

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