Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

House Bill 590 (Delegate C. Davis, *et al.*)
Ways and Means

Homeowners' Property Tax Credit - Home Purchaser Applications

This bill allows a home purchaser to apply for a homeowners' tax credit after the execution of a contract of sale on a property and provides that the final tax liability due at settlement will be adjusted to reflect any credit certified by the Department of Assessments and Taxation. The purchaser must apply for the credit within seven working days after the execution of the contract of sale. Upon application of the credit, the department may request a copy of the executed sale agreement and must notify the purchaser in writing of its decision within five working days from receipt of the application.

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

Fiscal Summary

State Effect: Potential minimal increase in general fund expenditures of approximately $152,000 annually.

Local Effect: Potential minimal increase in expenditures for Anne Arundel and Montgomery counties.

Small Business Effect: None.

Analysis

Current Law: A home purchaser may not apply for the homeowners' tax credit until settlement on the dwelling and if a tax credit is granted, the Comptroller will pay the homeowner the amount of credit.

Background: The homeowner's (circuit breaker) tax credit is a State funded program, enacted in 1975, providing credits against State and local real property taxation for homeowners who qualify based on a sliding scale of tax liability and income. The total State expenditure for fiscal 2000 was $49,637,400 to 65,521 recipients. The department received 80,830 applications for the credit. The average credit was $760. Since 1992 the counties and municipalities have had the authority to enact local supplements to the homeowners' credit. The cost of the supplemental credits must be borne by the local governments. Currently, Anne Arundel and Montgomery counties are the only local governments that supplement the State credit.

State Fiscal Effect: Approximately 4% of all owner-occupied properties in Maryland are owned by people who apply for a homeowners' tax credit. The proportion of new home buyers that apply for the credit is likely to be less than the proportion of existing homeowners. Assuming that real estate agents perform pre-screening of client's eligibility for the credit, the department expects that the number of additional applications could be 2,000 annually. These are applications that the department would not receive otherwise. The department has indicated that they would work with the Maryland Association of Realtors to develop pre-screening processes to keep the number of applications to a manageable number. The additional applications could be processed with existing resources.

Of the additional 2,000 applications, the department anticipates that a relatively low proportion will actually be eligible for the credit, only about 200. These 200 additional credits will increase State general fund expenditures by approximately $152,000 annually. After the initially increase in eligible applicants, the number of credits is likely to remain stable due to homeowners becoming ineligible because of increases in income, deaths, and home sales.

Local Fiscal Effect: Anne Arundel and Montgomery counties supplement the homeowners' tax credit program. To the extent that additional credits are granted, their expenditures for this program will increase. Any increase is expected to be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Assessments and Taxation, Department of Legislative Services

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