HB 589

Department of Legislative Services

Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 589 (Delegate C. Davis)
Ways and Means

Homeowners' Property Tax Credit - Home Purchasers - Residency Eligibility

This bill changes the current homeowner's tax credit requirement that a home purchaser occupy the residence for six consecutive months to allow the home purchaser to be eligible if the purchaser occupies the residence for the remainder of the taxable year.

The bill is effective July 1, 2000, and applicable to tax credits for all taxable years beginning after June 30, 2001.

Fiscal Summary

State Effect: State expenditures could increase by approximately $24,000 annually beginning in FY 2001. Revenues would not be affected.

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

Small Business Effect: None.

Analysis

Current Law: The home purchaser must occupy the residence for more than six consecutive months of the taxable year for which the tax credit is sought.

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 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.

Over the years, the number of eligible applicants steadily declined because the formula was not changed. In response, Chapter 6 of 1998 lowered the percentage of income that must be paid in property taxes for the second, third, and fourth income levels of the credit. These changes took effect for taxable years beginning after June 30, 1999, which meant they were effective for fiscal 2000.

State Fiscal Effect: State expenditures could increase by an estimated $23,750 annually. The Department of Assessments and Taxation received approximately 125 homeowners' tax credit applications each year for partial year credits. The department believes that this bill may double the number (i.e., 250 per year). In fiscal 2000, the average credit granted was $760. Assuming that the average new applicant would receive about 25% of the annual amount, each recipient would receive an average of $190. The total increase in credits granted for the additional 125 applicants would be $23,750.

Local Fiscal Effect: Anne Arundel and Montgomery counties supplement the homeowners' tax credit program with local credits. About 10% of home sales statewide are in Anne Arundel County and about 20% in Montgomery County. This means that Anne Arundel could see an increase of about 12 partial-year applicants and Montgomery about 24. Given that the credits will be for less than a half-year, the impact on expenditures for these counties would 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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