

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 1340 (Delegate Redmer, *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 increasing the income brackets from multiples of \$4,000 to multiples of \$6,000.

The bill is effective July 1, 2002, and applicable to tax credits for all taxable years beginning after June 30, 2003.

Fiscal Summary

State Effect: State general fund expenditures would increase by an estimated \$17.8 million in FY 2004 increasing annually by 2% from additional qualified applicants.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	17.8	18.1	18.5	18.8
Net Effect	\$0	(\$17.8)	(\$18.1)	(\$18.5)	(\$18.8)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The current program allows credits against the homeowner's property tax bill if the property taxes exceed a fixed percentage of the person's gross income. It sets a limit on the amount of property taxes any homeowner must pay based upon his or her income according to the following formula: 0% of the first \$4,000 of the combined household income; 1.0% of the next \$4,000 of income; 4.5% of the next \$4,000 of income; 6.5% of the next \$4,000 of income; and 9% of all income above \$16,000.

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 Originally enacted in 1975, the program is designed primarily to provide tax credits for elderly and disabled homeowners.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 \$150,000 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 total State expenditure for fiscal 2001 was \$44,134,561 to 58,864 recipients. The department received 77,229 applications for the credit. Since 1992 the counties and municipalities have had the authority to enact local supplements to the homeowners' credit, the cost of which must be borne by the local governments. Currently, Anne Arundel and Montgomery counties are the only local governments that supplement the State credit. Those counties have developed their own income brackets for credit qualification and would not be affected by this bill.

State Expenditures: If the income brackets were increased from increments of \$4,000 to \$6,000 during fiscal 2001, an additional \$16,738,167 in credits to an additional 7,354 applicants would have been incurred. Assuming that the cost of the property tax credit would increase by 2% annually to reflect more qualified applicants, State general fund expenditures could increase by \$17,762,677 in fiscal 2004, the bill's effective date.

Additional Information

Prior Introductions: Similar legislation was introduced in 1999 as HB 135 and received an unfavorable report by the Ways and Means Committee.

Cross File: None.

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

Fiscal Note History: First Reader - March 15, 2002
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