

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

Senate Bill 567 (Senator Stone)
 Budget and Taxation

Property Tax - Homeowners' Property Tax Credit - Computation

This bill increases from \$150,000 to \$200,000 the maximum assessed value of property on which a homeowner's property tax credit is calculated. It also decreases certain percentages of the homeowner's income that reduces the tax credit.

The bill is effective June 1, 2003 and applicable to all tax years beginning after June 30, 2003.

Fiscal Summary

State Effect: State general fund expenditures would increase by an estimated \$6 million annually beginning in FY 2004.

(\$ in millions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	6.0	6.0	6.0	6.0	6.0
Net Effect	(\$6.0)	(\$6.0)	(\$6.0)	(\$6.0)	(\$6.0)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill alters the formula for calculating the tax limit based on household income. Specifically, it changes the percentage of the second \$4,000 of

combined income that reduces the credit amount from 1% to 0% and the percentage of the third \$4,000 of income from 4.5% to 3.5%.

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 on his or her income according to the following formula: 0% of the first \$4,000; 1% of the second \$4,000; 4.5% of the third \$4,000; 6.5% of the fourth \$4,000; and 9% of the combined income over \$16,000. The maximum assessed value of real property eligible for the homeowner's tax credit is \$150,000. Any taxpayer with a net worth of more than \$200,000, excluding the value of the home, is currently ineligible.

Background: The Homeowners' (circuit breaker) Tax Credit Program is a State funded program, enacted in 1975, that provides 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 the tax credit for fiscal 2002 was \$39.7 million to 52,490 recipients.

State Expenditures: If the maximum assessed value of real property eligible for the credit is increased to \$200,000 and the percentages of income are changed as set forth in the bill, an additional \$6,028,984 in credits to an additional 2,671 applicants would have been incurred. That increase is expected to remain constant in future years beginning in fiscal 2004.

Additional Information

Prior Introductions: None.

Cross File: HB 854 (Delegate Ramirez, *et al.*) – Ways and Means.

Information Source(s): Department of Assessments and Taxation, Montgomery County, Anne Arundel County, Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2003
mdf/hlb

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