Unofficial Copy Q1

By: Chairman, Ways and Means Committee (By Request - Departmental -Assessments and Taxation)

Introduced and read first time: January 28, 2004 Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2

Homestead Tax Credit - Agricultural Limited Liability Company

3 FOR the purpose of altering the definition of "homeowner" under the Homestead Tax

- 4 Credit to allow certain limited liability companies to claim the credit under
- 5 certain circumstances; authorizing semiannual property tax payment for certain
- 6 limited liability companies under certain circumstances; providing for the
- 7 application of this Act; and generally relating to the Homestead Tax Credit.

8 BY repealing and reenacting, with amendments,

- 9 Article Tax Property
- 10 Section 9-105(a) and (c)
- 11 Annotated Code of Maryland
- 12 (2001 Replacement Volume and 2003 Supplement)

13 BY repealing and reenacting, without amendments,

- 14 Article Tax Property
- 15 Section 10-204.3
- 16 Annotated Code of Maryland
- 17 (2001 Replacement Volume and 2003 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

19 MARYLAND, That the Laws of Maryland read as follows:

20				Article - Tax - Property
21	9-105.			
22	(a)	(1)	In this	s section the following words have the meanings indicated.
23		(2)	(i)	"Dwelling" means:
24				1. a house that is:
25				A. used as the principal residence of the homeowner; and

 5 2. the lot or curtilage on which the house is erected. 6 (ii) "Dwelling" includes: 7 1. a condominium unit that is occupied by an individual who 8 has a legal interest in the condominium; 9 2. an apartment in a cooperative apartment corporation that 10 is occupied by an individual who has a legal interest in the apartment; and 	
 7 1. a condominium unit that is occupied by an individual who 8 has a legal interest in the condominium; 9 2. an apartment in a cooperative apartment corporation that 	
 8 has a legal interest in the condominium; 9 2. an apartment in a cooperative apartment corporation that 	
 3. a part of real property used other than primarily for residential purposes, if the real property is used as a principal residence by an individual who has a legal interest in the real property. 	
 (3) "Homeowner" means an individual who has a legal interest in a dwelling OR WHO IS AN ACTIVE MEMBER OF AN AGRICULTURAL LIMITED LIABILITY COMPANY THAT HAS A LEGAL INTEREST IN A DWELLING. 	č
17 (4) "Legal interest" means an interest in a dwelling:	
18 (i) as a sole owner;	
19 (ii) as a joint tenant;	
20 (iii) as a tenant in common;	
21 (iv) as a tenant by the entireties;	
22 (v) through membership in a cooperative;	
 23 (vi) under a land installment contract, as defined in § 10-101 of the 24 Real Property Article; or 	
25 (vii) as a holder of a life estate.	
 (5) "Taxable assessment" means the assessment on which the State, county, or municipal corporation property tax rate was imposed in the preceding taxable year, adjusted by the phased-in assessment increase resulting from a revaluation under § 8-104(c)(1)(iii) of this article, less the amount of any assessment on which a property tax credit under this section is authorized. (6) "AGRICULTURAL LIMITED LIABILITY COMPANY" MEANS A LIMITE LIABILITY COMPANY THAT: 	ГED

33

2

(I) OWNS REAL PROPERTY THAT:

3	HOUSE BILL 323
1 2 ASSESSMENT UNDER	1. INCLUDES LAND RECEIVING AN AGRICULTURAL USE & § 8-209 OF THIS ARTICLE; AND
3 4 OR CONTIGUOUS TO	2. INCLUDES LAND USED AS A HOMESITE THAT IS PART OF A PARCEL DESCRIBED IN ITEM 1. OF THIS ITEM;
5 (I 6 AGRICULTURAL LAN	
7 (I	I) OWNS NO OTHER PROPERTY.
9 COMPANY WHO HAS 10 OPERATE THE LIMIT 11 EARNINGS OF THE L	ACTIVE MEMBER" MEANS A MEMBER OF A LIMITED LIABILITY OR SHARES THE AUTHORITY TO MANAGE, CONTROL, AND ED LIABILITY COMPANY AND WHO SHARES THE ASSETS AND IMITED LIABILITY COMPANY UNDER AN OPERATING & § 4A-402 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE.
14 Department shall apport	a dwelling is not used primarily for residential purposes, the ion the total property assessment between the part of the residential purposes and the part of the dwelling that is not oses.
18 time period because of i	a homeowner does not actually reside in a dwelling for the required llness or need of special care and is otherwise eligible for a r this section, the homeowner may qualify for the property ion.
21(3)(I22AGRICULTURAL LIM23CREDIT UNDER THIS	IITED LIABILITY COMPANY TO QUALIFY FOR THE PROPERTY TAX
24 25 RESIDENT ACTIVE M	1. THE DWELLING MUST HAVE BEEN OWNED BY THE IEMBER:
26 27 LIMITED LIABILITY	A. AT THE TIME OF ITS TRANSFER TO THE AGRICULTURAL COMPANY; OR
30 A PARTNERSHIP UN	B. IF THE DWELLING WAS ORIGINALLY TRANSFERRED TO LIMITED LIABILITY COMPANY AS PART OF A CONVERSION FROM DER § 4A-211 OF THE CORPORATIONS AND ASSOCIATIONS THE TIME OF ITS TRANSFER TO THE FORMER PARTNERSHIP; AND
34 DEPARTMENT ESTA35 JUNE 30 FOR THE FO	2. THE AGRICULTURAL LIMITED LIABILITY COMPANY AND VE MEMBER MUST FILE AN APPLICATION WITH THE BLISHING INITIAL ELIGIBILITY FOR THE CREDIT ON OR BEFORE LLOWING TAXABLE YEAR AND, AT THE REQUEST OF THE T FILE AN APPLICATION IN ANY FUTURE YEAR TO VERIFY LITY.

1(II)FAILURE TO FILE A TIMELY APPLICATION MAY F2DISQUALIFICATION FROM THE HOMESTEAD TAX CREDIT PROGRAM FOR TH3FOLLOWING TAXABLE YEAR.	
4 (III) THE CREDIT MAY ONLY BE GRANTED TO ONE DW 5 OWNED BY THE AGRICULTURAL LIMITED LIABILITY COMPANY.	WELLING
6 (IV) PARTICIPATION IN THE CREDIT PROGRAM AS TH 7 MEMBER OF AN AGRICULTURAL LIMITED LIABILITY COMPANY DISQUALIF 8 OTHER DWELLINGS OWNED BY THE ACTIVE MEMBER FOR THE CREDIT.	
9 10-204.3.	
10 (a) In this section, "owner-occupied residential property" means the principal 11 residence of a homeowner as defined in § 9-105 of this article.	
12 (b) Notwithstanding Subtitle 1 of this title:	
 (1) the governing body of a county shall provide a semiannual paymen schedule for State, county, and special taxing district property taxes due on owner-occupied residential property; and 	it
16 (2) the governing body of a municipal corporation shall provide a 17 semiannual payment schedule for municipal corporation and special taxing district 18 property taxes due on owner-occupied residential property.	
19 (c) A semiannual payment schedule under this section shall apply:	
20 (1) at the time of the transfer of property purchased on or after July 1, 21 2000; and	
 (2) to any current or future owner of owner-occupied residential property, regardless of whether the property was purchased before July 1, 2000. 	
24 (d) (1) The semiannual payment schedule under this section shall apply to	:
 25 (i) the property tax due for the tax year following transfer of the property; and 	the
27(ii)the property tax due and not in arrears for the current tax y28for any transfer occurring on or after July 1 but on or before September 30.	vear
	jour
 29 (2) The first installment of a semiannual payment shall be paid on or 30 before September 30. 	, cui
	, cui
30 before September 30.31 (e) A semiannual payment schedule may include a service charge to be paid	, cui

 (i) adopted by the taxing authority that collects the property taxes after obtaining the prior approval of the amount of the service charge from the Department, as part of adoption of the property tax rate under §§ 6-301 through 6-303 of this article;
5 (ii) applicable to all property tax being collected by the taxing 6 authority on the semiannual payment schedule for itself and for any other taxing 7 authority;
8 (iii) expressed as a percent of the amount of tax due at the second 9 installment and shown on the tax bill as a percent and actual dollar amount charged; 10 and
11 (iv) calculated in an amount:
12 1. reasonably equivalent to the anticipated lost interest 13 income associated with the 3-month delay in payment of the second installment by 14 multiplying the amount of the second installment by a rate not exceeding 1.5%; and
 2. covering administrative expenses associated with the semiannual payment not exceeding the lesser of the actual expenses incurred in the preceding fiscal year per semiannual tax account as approved by the State Department of Assessments and Taxation or 10% of the charge for the anticipated lost interest income as calculated in item 1 of this item;
20 (2) does not apply if both installments of property tax are paid on or 21 before September 30 of the taxable year; and
 (3) may not be considered to be a property tax for the purposes of any provision of a local law or charter that limits the property tax rate or property tax revenues.
25 (g) The local taxing authority shall provide to the Department by May 1 of 26 each year, information that substantiates that the proposed service charge for the 27 anticipated lost interest is reasonably equivalent to the amount of interest that will 28 be lost as a result of the semiannual payment.
29 (h) (1) The property tax bill under a semiannual payment schedule:
30 (i) shall state:
 31 1. the amount of the tax due if paid in full, including any 32 applicable discounts for early payment;
 2. the amount of the tax due if paid in semiannual installments, including any applicable discounts for early payment of the first installment;

 second installment u the taxable year; 	inless the	3. the amount of any service charge to be paid with the second installment is paid on or before September 30 of
4 5 are paid on or befor	e Septeml	4. that the service charge does not apply if both installments ber 30 of the taxable year; and
6		5. the date the tax payment is due; and
7 8 and Taxation.	(ii)	shall be subject to approval by the Department of Assessments
9 (2) 10 schedule collection		epartment shall approve any local semiannual payment
11	(i)	provides efficient and cost-effective collection of taxes; and
12 13 forms, or a similar	(ii) method th	provides two semiannual coupons, two semiannual billing at allows taxpayers to pay on a semiannual basis.
14(3)15 approved by the Det16 be submitted with t	epartment	semiannual payment schedule collection systems that are not shall utilize 2 semiannual payment coupons that shall riate payment.
17 (i) A pay	ment und	er a semiannual schedule:
18 (1)	for the	first installment:
19	(i)	is due on July 1 of the tax year; and
20 21 tax year; and	(ii)	may be paid without interest on or before September 30 of the
		may be paid without interest on or before September 30 of the second installment:
21 tax year; and		
21 tax year; and22 (2)	for the (i) (ii)	second installment: is due on December 1 of the tax year; except for the service charge, may be paid without interest on or
 21 tax year; and 22 (2) 23 24 	for the (i) (ii) 1 of the ta (iii)	second installment: is due on December 1 of the tax year; except for the service charge, may be paid without interest on or ix year; and may be prepaid without the service charge or interest on or
 21 tax year; and 22 (2) 23 24 25 before December 3 26 27 before September 3 28 (j) (1) 29 tax, the escrow according 	for the (i) (ii) 1 of the ta (iii) 30 of the ta If an es ount servi vicer has	second installment: is due on December 1 of the tax year; except for the service charge, may be paid without interest on or ix year; and may be prepaid without the service charge or interest on or ax year. scrow account is established for the payment of the property cer shall pay tax in semiannual installments unless the received written direction from the property owner or

1 the tax year that begins immediately following the year in which the written direction 2 was received.

3 (3) If a taxpayer provides written direction to an escrow account servicer 4 less than 60 days prior to the beginning of the tax year, property taxes may be paid on 5 an annual payment basis on behalf of that taxpayer by the escrow account servicer in 6 the tax year that begins immediately following the year in which the written direction 7 was received.

8 SECTION 2. AND BE IT FURTHER ENACTED, That on or before September 9 30, 2004, the Department of Assessments and Taxation may accept applications for 10 the taxable year beginning July 1, 2004.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take
effect June 1, 2004, and shall be applicable to all taxable years beginning after June
30, 2004.