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By: **Delegate Bromwell**

Introduced and read first time: February 11, 2005

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Homeowners' Property Tax Credits - Senior Citizen Homeowners**

3 FOR the purpose of altering a certain homeowners' property tax credit to provide a  
4 certain credit for certain senior citizens under certain circumstances; defining  
5 certain terms; providing for the application of this Act; and generally relating to  
6 a certain homeowners' property tax credit for senior citizen homeowners.

7 BY repealing and reenacting, with amendments,  
8 Article - Tax - Property  
9 Section 9-104  
10 Annotated Code of Maryland  
11 (2001 Replacement Volume and 2004 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
13 MARYLAND, That the Laws of Maryland read as follows:

14 **Article - Tax - Property**

15 9-104.

16 (a) (1) In this section the following words have the meanings indicated.

- 17 (2) (i) "Assets" include:
- 18 1. real property;
  - 19 2. cash;
  - 20 3. savings accounts;
  - 21 4. stocks;
  - 22 5. bonds; and
  - 23 6. any other investment.

- 1 (ii) "Assets" do not include:
- 2 1. the dwelling for which a property tax credit is sought  
3 under this section;
- 4 2. the cash value of the life insurance policies on the life of  
5 the homeowner; or
- 6 3. tangible personal property.
- 7 (3) "Combined income" means the combined gross income of all  
8 individuals who actually reside in a dwelling except an individual who:
- 9 (i) is a dependent of the homeowner under § 152 of the Internal  
10 Revenue Code; or
- 11 (ii) pays a reasonable amount for rent or room and board.
- 12 (4) "Current market value" means:
- 13 (i) for residential property, the value as determined by the  
14 Department; and
- 15 (ii) for farmland, marshland, and woodland, the value under Title  
16 8, Subtitle 2 of this article as determined by the Department.
- 17 (5) "Disabled veteran" has the meaning stated in § 7-208(a) of this  
18 article.
- 19 (6) "Dwelling" means:
- 20 (i) for a homeowner who is not a home purchaser, a house that is:
- 21 1. used as the principal residence of a homeowner and the lot  
22 or curtilage on which the house is erected;
- 23 2. occupied by not more than 2 families; and
- 24 3. actually occupied or expected to be actually occupied by  
25 the homeowner for more than 6 months of a 12-month period, which actual or  
26 expected occupancy period shall include July 1 of the taxable year for which the  
27 property tax credit under this section is sought; or
- 28 (ii) for a homeowner who is a home purchaser, a house that is:
- 29 1. used as the principal residence of a homeowner and the lot  
30 or curtilage on which the house is erected;
- 31 2. occupied by not more than 2 families; and

1 3. actually occupied or expected to be actually occupied by  
2 the home purchaser for the remainder of the taxable year for which the property tax  
3 credit under this section is sought.

4 (7) "Final tax liability" means the tax liability for any property tax on the  
5 real property of a dwelling less any property tax credit provided under this section.

6 (8) (i) "Gross income" means the total income from all sources for the  
7 calendar year that immediately precedes the taxable year, whether or not the income  
8 is included in the definition of gross income for federal or State tax purposes.

9 (ii) "Gross income" includes:

10 1. any benefit under the Social Security Act or the Railroad  
11 Retirement Act;

12 2. the aggregate of gifts over \$300;

13 3. alimony;

14 4. support money;

15 5. any nontaxable strike benefit;

16 6. public assistance received in a cash grant;

17 7. a pension;

18 8. an annuity;

19 9. any unemployment insurance benefit;

20 10. any workers' compensation benefit;

21 11. the net income received from a business, rental, or other  
22 endeavor; and

23 12. any rent on the dwelling, including the rent from a room  
24 or apartment.

25 (iii) "Gross income" does not include:

26 1. any income tax refund received from the State or federal  
27 government; or

28 2. any loss from business, rental, or other endeavor.

29 (9) "Homeowner" means an individual who:

30 (i) on July 1 of the taxable year for which the tax credit is to be  
31 allowed:

1 1. actually resides in a dwelling in which the individual has a  
2 legal interest; or

3 2. under a court order or separation agreement, permits a  
4 spouse, a former spouse, or a child of the individual's family to reside without  
5 payment of rent in a dwelling in which the individual has a legal interest; or

6 (ii) 1. is a home purchaser; and

7 2. actually resides in a dwelling in which the individual has a  
8 legal interest, whether or not the individual resides in the dwelling on July 1 of the  
9 taxable year for which the tax credit is sought.

10 (10) "Home purchaser" means an individual who purchases a dwelling in  
11 the taxable year for which the tax credit under this section is sought.

12 (11) "Legal interest" includes an interest in a dwelling:

13 (i) as sole owner;

14 (ii) as a joint tenant;

15 (iii) as a tenant in common;

16 (iv) as a tenant by the entirety;

17 (v) through membership in a cooperative;

18 (vi) under a land installment contract, as defined in § 10-101 of the  
19 Real Property Article;

20 (vii) as a holder of a life estate; or

21 (viii) under a continuing care contract for an independent living unit  
22 at a continuing care facility for the aged, which means a nontransferable agreement  
23 between a continuing care facility for the aged as defined in § 7-206 of this article and  
24 an occupant of an independent living unit, which agreement provides that the  
25 occupant may reside in the unit until termination under the terms of the contract.

26 (12) "Net worth" means the sum of the current market value of all assets,  
27 less any outstanding liability.

28 (13) "SENIOR CITIZEN" MEANS A RESIDENT OF THE STATE OF MARYLAND  
29 WHO IS OVER THE AGE OF 64.

30 [(13)] (14) ["Total] EXCEPT AS PROVIDED IN SUBSECTION (G-2) OF THIS  
31 SECTION, "TOTAL real property tax" means the product of the sum of all property tax  
32 rates on real property, including special district tax rates, for the taxable year on a  
33 dwelling, multiplied by the lesser of the assessed value of the dwelling or \$150,000;  
34 and then reduced by any property tax credit granted under § 9-105 of this subtitle.

1 (a-1) (1) The homeowners' tax credit under this section is a State-funded  
2 program.

3 (2) It is the intent of the General Assembly that:

4 (i) the State shall appropriate sufficient funds to reimburse the  
5 full amount of tax credits granted under this section; and

6 (ii) the State, and not the local governments, shall bear the burden  
7 of any insufficiency of funds to fully reimburse the counties for property tax credits  
8 under this section.

9 (3) For any fiscal year, if State appropriations for reimbursement of tax  
10 credits under this section do not provide sufficient funds to fully reimburse the  
11 counties for tax credits granted under this section, the Governor shall include in the  
12 budget bill for the next fiscal year a deficiency appropriation to provide the additional  
13 funds to fully reimburse the counties.

14 (b) The Department shall adopt regulations to carry out this section.

15 (c) (1) Except as provided in subsection (e) of this section, the Department is  
16 responsible for the administrative duties that relate to the application and  
17 determination of eligibility for a property tax credit under this section.

18 (2) The Department may:

19 (i) make an agreement with a county collector for limited  
20 assistance with a part of the administrative duties; and

21 (ii) reimburse the county for the reasonable cost of the assistance  
22 provided.

23 (3) When an applicant for the property tax credit under this section  
24 resides in an independent living unit at a continuing care facility for the aged, the  
25 Department shall determine for the independent living unit:

26 (i) the lot size;

27 (ii) the assessed value of land and building; and

28 (iii) the total real property tax.

29 (d) When an assessment notice is sent to a homeowner, the Department shall  
30 give notice of the possible property tax credit under this section.

31 (e) (1) The Comptroller shall include, in each package of income tax forms  
32 and instructions, notice of the availability of a property tax credit under this section.  
33 Notice shall include any information needed to convey:

34 (i) eligibility;

- 1 (ii) filing deadlines;
- 2 (iii) applicable limitations; and
- 3 (iv) contact information for application forms.
- 4 (2) Notice in the package of income tax forms and instructions shall be:
- 5 (i) prominently placed;
- 6 (ii) printed in an open typeface, such as helvetica, no smaller than  
7 10 points; and
- 8 (iii) positioned and colored to distinguish it from income tax  
9 material.
- 10 (3) For income verification, the Comptroller shall:
- 11 (i) cooperate with the Department in adopting a procedure to audit  
12 the application forms; and
- 13 (ii) notwithstanding § 13-202 of the Tax - General Article, supply  
14 the Department with additional information.
- 15 (4) The Comptroller shall assist the Department in a postaudit of each  
16 application.
- 17 (f) A homeowner who meets the requirements of this section shall be granted  
18 the property tax credit under this section against the property tax imposed on the real  
19 property of the dwelling.
- 20 (g) (1) Except as provided in subsection (g-1) AND SUBSECTION (G-2) of this  
21 section, the property tax credit under this section is the total real property tax of a  
22 dwelling, less the percentage of the combined income of the homeowner that is  
23 described in paragraph (2) of this subsection.
- 24 (2) The percentage is:
- 25 (i) 0% of the 1st \$4,000 of combined income;
- 26 (ii) 1% of the 2nd \$4,000 of combined income;
- 27 (iii) 4.5% of the 3rd \$4,000 of combined income;
- 28 (iv) 6.5% of the 4th \$4,000 of combined income; and
- 29 (v) 9% of the combined income over \$16,000.
- 30 (g-1) For home purchasers, the property tax credit is the amount of the credit as  
31 calculated under subsection (g) of this section multiplied by a fraction, where:

1 (1) the numerator of the fraction is the number of days in the fiscal year  
2 that the home purchaser actually occupies or expects to actually occupy a dwelling in  
3 which the home purchaser has a legal interest; and

4 (2) the denominator is 365 days.

5 (G-2) (1) IN THIS SUBSECTION, "TOTAL REAL PROPERTY TAX" MEANS THE  
6 PRODUCT OF MULTIPLYING:

7 (I) THE SUM OF ALL PROPERTY TAX RATES ON REAL PROPERTY,  
8 INCLUDING SPECIAL DISTRICT TAX RATES, IMPOSED ON A DWELLING; AND

9 (II) THE ASSESSED VALUE OF THE DWELLING REDUCED BY THE  
10 AMOUNT OF ANY ASSESSMENT ON WHICH A PROPERTY TAX CREDIT IS GRANTED  
11 UNDER § 9-105 OF THIS SUBTITLE.

12 (2) FOR A HOMEOWNER WHO MEETS THE REQUIREMENTS OF  
13 PARAGRAPH (3) OF THIS SUBSECTION, THE PROPERTY TAX CREDIT UNDER THIS  
14 SECTION IS THE GREATER OF:

15 (I) THE AMOUNT DETERMINED UNDER SUBSECTION (G) OF THIS  
16 SECTION; AND

17 (II) THE AMOUNT BY WHICH THE TOTAL REAL PROPERTY TAX OF A  
18 DWELLING FOR THE TAXABLE YEAR EXCEEDS THE TOTAL REAL PROPERTY TAX OF  
19 THE DWELLING FOR THE FIRST TAXABLE YEAR IN WHICH:

20 1. THE HOMEOWNER OR THE HOMEOWNER'S SPOUSE WAS A  
21 SENIOR CITIZEN; AND

22 2. THE HOMEOWNER'S DWELLING WAS NOT SUBJECT TO  
23 ANY LIENS OR MORTGAGES.

24 (3) TO QUALIFY FOR THE PROPERTY TAX CREDIT UNDER THIS  
25 SUBSECTION, A HOMEOWNER SHALL:

26 (I) BE A SENIOR CITIZEN OR BE MARRIED TO A SENIOR CITIZEN  
27 AND FILE A JOINT MARYLAND INCOME TAX RETURN;

28 (II) HAVE A COMBINED INCOME THAT DOES NOT EXCEED \$70,000;  
29 AND

30 (III) HAVE PAID OFF ANY LIENS OR MORTGAGES AGAINST THE  
31 DWELLING.

32 (4) THE LIMITATION UNDER SUBSECTION (I)(1) OF THIS SECTION DOES  
33 NOT APPLY TO A CREDIT GRANTED UNDER THIS SUBSECTION.

34 (h) If a surviving spouse of a homeowner has not remarried and meets the  
35 qualifications except for age or disability, the property tax credit under this section is  
36 available to the unmarried surviving spouse.

1 (i) (1) A property tax credit under SUBSECTION (G) OF this section may not  
2 be granted to a homeowner whose combined net worth exceeds \$200,000 as of  
3 December 31 of the calendar year that precedes the year in which the homeowner  
4 applies for the property tax credit.

5 (2) If a property tax credit under this section is less than \$1 in any  
6 taxable year, the credit may not be granted.

7 (3) A homeowner may claim a property tax credit under this section for  
8 only 1 dwelling.

9 (4) Except as provided in subsection (s) of this section, if a property tax  
10 credit is issued under this section, the credit or a voucher for a credit may be used  
11 only in the taxable year in which it was issued or the next succeeding taxable year.  
12 However, a homeowner whose dwelling is sold for taxes may receive the credit until  
13 the final decree under § 14-844 of this article is entered.

14 (j) A homeowner may qualify for a property tax credit under this section if the  
15 homeowner does not actually reside in the dwelling for the required time period  
16 because of illness or need of special care even if the homeowner:

17 (1) rents the dwelling for less than 1 year; or

18 (2) rents the dwelling for more than 1 year to a member of the  
19 homeowner's immediate family.

20 (k) (1) Except as provided in subsections (k-1) and (s) of this section, on or  
21 before September 1 of the taxable year in which the property tax credit under this  
22 section is sought, a homeowner may apply to the Department for a property tax credit  
23 under this section. The application shall be made on the form that the Department  
24 provides.

25 (2) (i) For good cause, the Department may accept an application after  
26 September 1 but on or before October 31 of the taxable year.

27 (ii) The Department shall notify the homeowner in writing of its  
28 acceptance or rejection of a late application.

29 (3) The homeowner shall state under oath that the facts in the  
30 application are true.

31 (4) To substantiate the application, the applicant may be required to  
32 provide a copy of an income tax return, or other evidence detailing gross income or net  
33 worth.

34 (k-1) (1) A home purchaser may apply to the Department for a property tax  
35 credit under this section after the execution of a contract of sale on the dwelling or  
36 settlement on the dwelling by filing an application on the form that the Department  
37 provides.



1                   (2)     The home purchaser shall state under oath that the facts in the  
2 application are true.

3                   (3)     To substantiate the application, the Department may require the  
4 applicant to provide a copy of an income tax return, or other evidence detailing gross  
5 income or net worth.

6                   (4)     If the home purchaser files an application for a credit under this  
7 section prior to settlement, the purchaser must file this application within 7 working  
8 days after the execution of a contract of sale.

9                   (5)     Upon receipt of an application prior to settlement, the Department:

10                   (i)     may further require the applicant to provide a copy of the  
11 executed sale agreement;

12                   (ii)    shall determine the amount, if any, of the credit for which the  
13 home purchaser is eligible under this section; and

14                   (iii)   shall notify the home purchaser in writing of its decision within  
15 5 working days from receipt of the application.

16                   (6)     The Department shall adopt regulations governing the application  
17 for and granting of a credit before settlement as provided under this section.

18                   (7)     On certification by the Department, the Comptroller shall pay to the  
19 home purchaser the property tax credit due under this section unless the credit was  
20 used to adjust the home purchaser's final tax liability paid at settlement under  
21 subsection (p) of this section.

22                   (l)     The Department shall notify an applicant in writing if the applicant is not  
23 eligible for the property tax credit under this section.

24                   (m)    (1)     For any eligible application received before the May 1 that precedes  
25 the taxable year in which the property tax credit under this section is sought, the  
26 Department shall request the appropriate county collector to prepare a tax bill that  
27 reflects the final tax liability.

28                   (2)     If a homeowner presents the revised tax bill or a tax voucher with the  
29 tax bill to the county collector, the homeowner may make a single payment for the  
30 final tax liability.

31                   (3)     Except as provided in subsection (s) of this section, if a credit is  
32 granted for an eligible application received after May 1, property tax is not due on the  
33 property until 30 days after the revised tax bill is sent to the homeowner.

34                   (4)     If a municipal corporation or a special taxing district issues a tax bill  
35 separate from the county tax bill, the county may require the homeowner to submit:

36                   (i)     the separate tax bill; or

1 (ii) proof of payment of the separate tax bill.

2 (n) If a municipal corporation or a special taxing district issues a tax bill to a  
3 homeowner, the Department shall include the property tax rate of the municipal  
4 corporation or the special taxing district in calculating the property tax credit under  
5 this section and final tax liability.

6 (o) (1) Except for transfers between spouses, including a conveyance to a  
7 surviving spouse from the personal representative of a deceased spouse, if a  
8 homeowner transfers a dwelling that is subject to a property tax credit under this  
9 section, the property tax credit ends on the date that the property is transferred. The  
10 credit is not ended if the transfer is between spouses.

11 (2) The total amount of the property tax credit under this section is  
12 included in determining the amount of property tax that is:

13 (i) paid by the homeowner; and

14 (ii) adjusted at the time of settlement between the homeowner and  
15 the buyer.

16 (3) The homeowner is credited for the part of the property tax credit  
17 under this section that the homeowner's period of ownership during the taxable year  
18 in which the transfer occurs bears to the entire taxable year. The buyer shall pay the  
19 remaining part of the property tax credit under this section to the county.

20 (4) Any property tax credit under this section that is collected by a  
21 county from a buyer under this subsection shall be credited to the State less any cost  
22 incurred by any county or a municipal corporation.

23 (p) The final tax liability of a home purchaser due at settlement shall be  
24 adjusted to reflect any credit certified by the Department.

25 (q) (1) Each month or more frequently, if appropriate, each county collector  
26 shall submit a request to the Department for reimbursement for an amount equal to  
27 the property tax credits under this section and redeemed property tax credit vouchers  
28 paid under this section.

29 (2) The request may not include the property tax credits for which the  
30 county or municipal corporation is responsible under § 9-101(g) of this subtitle.

31 (3) Within 5 working days after receipt of the request the Department  
32 shall certify to the Comptroller the amount of reimbursement due to each county.

33 (4) Within 5 working days:

34 (i) the Comptroller shall make the reimbursement to each county;  
35 or

1 (ii) the appropriate county collector may withhold an amount of  
2 State taxes sufficient to reimburse the county.

3 (r) (1) An eligible homeowner who has a continuing care contract for an  
4 independent living unit at a continuing care facility for the aged shall receive  
5 payment for the amount of the property tax credit under this section from the  
6 Comptroller upon certification by the Department. A credit granted to the homeowner  
7 under this subsection may not be assigned to the continuing care facility.

8 (2) (i) Notwithstanding the provisions of subsection (g) of this section,  
9 if a homeowner under this subsection is a disabled veteran, the homeowner may  
10 receive a credit for the total real property tax attributable to the independent living  
11 unit, up to the maximum credit authorized under this section.

12 (ii) A disabled veteran may apply for the credit under this  
13 subsection by providing the Department with the information required under  
14 subsection (k) of this section and § 7-208(d) of this article.

15 (3) The surviving spouse of a disabled veteran may, upon application,  
16 continue to receive the credit provided under this subsection until the surviving  
17 spouse remarries.

18 (s) (1) Under the conditions set forth in this subsection, the Department  
19 may accept an application from a homeowner within 3 years after April 15 of the  
20 taxable year for which a credit is sought, if the homeowner:

21 (i) is at least 70 years old as of the taxable year for which a credit  
22 is sought; and

23 (ii) was eligible for the credit under this section for the taxable year  
24 for which the credit is sought.

25 (2) A homeowner may apply to the Department for a property tax credit  
26 under this section by filing an application on the form that the Department provides.

27 (3) The homeowner shall state under oath that the facts in the  
28 application are true.

29 (4) To substantiate the application, the Department may require the  
30 homeowner to provide a copy of an income tax return, or other evidence detailing  
31 gross income or net worth.

32 (5) On certification by the Department, the Comptroller shall pay to the  
33 homeowner the property tax credit due under this section.

34 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
35 June 1, 2005, and shall be applicable to all taxable years beginning after June 30,  
36 2005.