

(PRE-FILED)

By: **Senator Stone**
 Requested: October 20, 2004
 Introduced and read first time: January 12, 2005
 Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Homestead Property Tax Credit - Supplemental Credit for Repaired or**
 3 **Reconstructed Dwelling**

4 FOR the purpose of requiring the State and the governing body of each county and
 5 each municipal corporation to grant a certain supplemental property tax credit
 6 under certain circumstances for dwellings that are damaged or destroyed due to
 7 a natural disaster; altering the calculation of the Homestead Property Tax
 8 Credit under certain circumstances; requiring homeowners claiming a credit
 9 under this Act to apply to the State Department of Assessments and Taxation for
 10 approval of the credit; requiring the Department to include the credit on the
 11 homeowner's property tax bill; providing for the application of this Act; and
 12 generally relating to the Homestead Property Tax Credit Program.

13 BY repealing and reenacting, with amendments,
 14 Article - Tax - Property
 15 Section 9-105
 16 Annotated Code of Maryland
 17 (2001 Replacement Volume and 2004 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 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

1 includes land receiving an agricultural use assessment
2 under § 8-209 of this article; and

3 2. includes land used as a homesite that is part of or
4 contiguous to a parcel described in item 1 of this item;

5 (ii) owns personal property used to operate the agricultural land;
6 and

7 (iii) owns no other property.

8 (7) "Active member" means a member of a limited liability company who
9 has or shares the authority to manage, control, and operate the limited liability
10 company and who shares the assets and earnings of the limited liability company
11 under an operating agreement under § 4A-402 of the Corporations and Associations
12 Article.

13 (b) If there is an increase in property assessment as calculated under this
14 section, the State and the governing body of each county and of each municipal
15 corporation shall grant a property tax credit under this section against the State,
16 county, and municipal corporation property tax imposed on real property by the State,
17 county, or municipal corporation.

18 (c) (1) If a dwelling is not used primarily for residential purposes, the
19 Department shall apportion the total property assessment between the part of the
20 dwelling that is used for residential purposes and the part of the dwelling that is not
21 used for residential purposes.

22 (2) If a homeowner does not actually reside in a dwelling for the required
23 time period because of illness or need of special care and is otherwise eligible for a
24 property tax credit under this section, the homeowner may qualify for the property
25 tax credit under this section.

26 (3) If a homeowner otherwise eligible for a credit under this section does
27 not actually reside in a dwelling for the required time period because the dwelling is
28 damaged due to an accident or natural disaster, the homeowner may continue to
29 qualify for a credit under this section for the current taxable year and 2 succeeding
30 taxable years even if the dwelling has been removed from the assessment roll in
31 accordance with § 10-304 of this article.

32 (4) (i) For a homeowner who is an active member of an agricultural
33 limited liability company to qualify for the property tax credit under this section:

34 1. the dwelling must have been owned and occupied by the
35 active member:

36 A. at the time of its transfer to the agricultural limited
37 liability company; or

1 B. if the dwelling was originally transferred to the
2 agricultural limited liability company as part of a conversion from a partnership
3 under § 4A-211 of the Corporations and Associations Article, then at the time of its
4 transfer to the former partnership; and

5 2. the agricultural limited liability company and the active
6 member who occupies the dwelling must file an application with the Department
7 establishing initial eligibility for the credit on or before June 30 for the following
8 taxable year and, at the request of the Department, must file an application in any
9 future year to verify continued eligibility.

10 (ii) Failure to file a timely application may result in
11 disqualification from the Homestead Tax Credit Program for the following taxable
12 year.

13 (iii) The credit may only be granted to one dwelling owned by the
14 agricultural limited liability company.

15 (iv) Participation in the credit program as the active member of an
16 agricultural limited liability company disqualifies any other dwellings owned by the
17 active member for the credit.

18 (d) (1) The Department shall authorize and the State, a county, or a
19 municipal corporation shall grant a property tax credit under this section for a
20 taxable year unless during the previous taxable year:

21 (i) the dwelling was transferred for consideration to new
22 ownership;

23 (ii) the value of the dwelling was increased due to a change in the
24 zoning classification of the dwelling initiated or requested by the homeowner or
25 anyone having an interest in the property;

26 (iii) the use of the dwelling was changed substantially; or

27 (iv) the assessment of the dwelling was clearly erroneous due to an
28 error in calculation or measurement of improvements on the real property.

29 (2) A homeowner must actually reside in the dwelling by July 1 of the
30 taxable year for which the property tax credit under this section is to be allowed.

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

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

35 (e) (1) [For] EXCEPT AS PROVIDED UNDER SUBSECTION (J) OF THIS
36 SECTION, FOR each taxable year, the property tax credit under this section is
37 calculated by:

1 (i) multiplying the prior year's taxable assessment by the
2 homestead credit percentage as provided under paragraph (2) of this subsection;

3 (ii) subtracting that amount from the current year's assessment;
4 and

5 (iii) if the difference is a positive number, multiplying the difference
6 by the applicable State, county, or municipal corporation property tax rate for the
7 current year.

8 (2) For each taxable year, the homestead credit percentage under
9 paragraph (1)(i) of this subsection is:

10 (i) for the State property tax, 110%;

11 (ii) for the county property tax:

12 1. the homestead credit percentage established by the county
13 under paragraph (3) of this subsection; or

14 2. if the county has not set a percentage for the taxable year
15 under paragraph (3) of this subsection or has not notified the Department as required
16 under paragraph (6) of this subsection, the homestead credit percentage in effect for
17 the county for the preceding taxable year; and

18 (iii) for the municipal corporation property tax:

19 1. the homestead credit percentage established by the
20 municipal corporation under paragraph (4) of this subsection; or

21 2. if the municipal corporation has not set a percentage
22 under paragraph (4) of this subsection or has not notified the Department as required
23 under paragraph (7) of this subsection, the homestead credit percentage for the
24 taxable year for the county in which the property is located.

25 (3) Subject to paragraph (5) of this subsection, the Mayor and City
26 Council of Baltimore City and the governing body of a county on or before November
27 15 of any year shall set, by law, the homestead credit percentage for the taxable year
28 beginning the following July 1.

29 (4) Subject to paragraph (5) of this subsection, on or before November 25
30 of any year, the governing body of a municipal corporation may set or alter, by law, a
31 homestead credit percentage for the taxable year beginning the following July 1 and
32 any subsequent taxable year.

33 (5) The homestead credit percentage for any county or municipal
34 corporation property tax:

35 (i) may not be less than 100% or exceed 110% for any taxable year;
36 and

1 (ii) shall be expressed in increments of 1 percentage point.

2 (6) The Mayor and City Council of Baltimore City and the governing
3 body of a county shall notify the Department of any action taken under paragraph (3)
4 of this subsection on or before November 15 preceding the taxable year for which the
5 action is taken.

6 (7) A municipal corporation shall notify the Department of any action
7 taken under paragraph (4) of this subsection on or before November 25 preceding the
8 taxable year for which the action is taken.

9 (f) The Department shall give notice of the possible property tax credit under
10 this section.

11 (g) A homeowner who meets the requirements of this section shall be granted
12 the property tax credit under this section against the State, county, and municipal
13 corporation property tax imposed on the real property of the dwelling.

14 (h) The tax credit under this section shall be included on the homeowner's
15 property tax bill.

16 (i) (1) When property that has received a credit under this section for the
17 current taxable year includes improvements that are removed from the assessment
18 roll under § 10-304 of this article because of damage due to an accident or a natural
19 disaster:

20 (i) the full benefit of the property tax abatement under § 10-304 of
21 this article may not be diminished by the amount of the credit;

22 (ii) the full benefit of that credit may not be diminished by the
23 property tax abatement under § 10-304 of this article and shall be reflected in the
24 assessment of the total property, including any new improvements, for the current
25 taxable year; and

26 (iii) the property shall be eligible to receive a credit under this
27 section for the current taxable year and the two succeeding taxable years regardless
28 of the existence or condition of the dwelling.

29 (2) Neither the calculation of the abatement nor the assessment under
30 this subsection shall include an assessment less than zero.

31 (J) (1) THE STATE AND THE GOVERNING BODY OF EACH COUNTY AND EACH
32 MUNICIPAL CORPORATION SHALL GRANT AN ADDITIONAL PROPERTY TAX CREDIT AS
33 DESCRIBED IN THIS SUBSECTION, IF:

34 (I) THE HOMEOWNER IS OTHERWISE ELIGIBLE FOR THE CREDIT
35 ALLOWED UNDER SUBSECTION (B) OF THIS SECTION;

36 (II) 1. THE DWELLING IS:

- 1 A. DAMAGED OR DESTROYED DUE TO A NATURAL DISASTER;
2 AND
- 3 B. SUBSEQUENTLY REPAIRED OR RECONSTRUCTED;
- 4 2. THE DWELLING IS REVALUED AFTER THE DWELLING IS
5 REPAIRED OR RECONSTRUCTED; AND
- 6 3. AS A RESULT OF THE REVALUATION, THE ASSESSMENT OF
7 THE DWELLING EXCEEDS THE LAST ASSESSMENT OF THE DWELLING; AND
- 8 (III) THE HOMEOWNER CLAIMING THE CREDIT HAD A LEGAL
9 INTEREST IN THE DWELLING AT THE TIME THE DWELLING WAS DAMAGED OR
10 DESTROYED AS DESCRIBED UNDER ITEM (II) OF THIS PARAGRAPH.
- 11 (2) THE AMOUNT OF THE PROPERTY TAX CREDIT ALLOWED UNDER THIS
12 SUBSECTION SHALL EQUAL THE FOLLOWING PERCENTAGE OF THE PROPERTY TAX
13 ATTRIBUTABLE TO AN INCREASE IN THE ASSESSMENT OF THE DWELLING UPON
14 REVALUATION, INCLUDING IMPROVEMENTS, OVER THE LAST ASSESSMENT OF THE
15 DWELLING BEFORE THE REPAIR OR RECONSTRUCTION, LESS THE AMOUNT OF ANY
16 ASSESSMENT ON WHICH A PROPERTY TAX CREDIT UNDER SUBSECTION (B) OF THIS
17 SECTION IS AUTHORIZED, AS FOLLOWS:
- 18 (I) 90% FOR THE 1ST TAXABLE YEAR IN WHICH THE HOMEOWNER
19 CLAIMS THE CREDIT;
- 20 (II) 80% FOR THE 2ND TAXABLE YEAR IN WHICH THE HOMEOWNER
21 CLAIMS THE CREDIT;
- 22 (III) 70% FOR THE 3RD TAXABLE YEAR IN WHICH THE HOMEOWNER
23 CLAIMS THE CREDIT;
- 24 (IV) 60% FOR THE 4TH TAXABLE YEAR IN WHICH THE HOMEOWNER
25 CLAIMS THE CREDIT;
- 26 (V) 50% FOR THE 5TH TAXABLE YEAR IN WHICH THE HOMEOWNER
27 CLAIMS THE CREDIT;
- 28 (VI) 40% FOR THE 6TH TAXABLE YEAR IN WHICH THE HOMEOWNER
29 CLAIMS THE CREDIT;
- 30 (VII) 30% FOR THE 7TH TAXABLE YEAR IN WHICH THE HOMEOWNER
31 CLAIMS THE CREDIT;
- 32 (VIII) 20% FOR THE 8TH TAXABLE YEAR IN WHICH THE HOMEOWNER
33 CLAIMS THE CREDIT;
- 34 (IX) 10% FOR THE 9TH TAXABLE YEAR IN WHICH THE HOMEOWNER
35 CLAIMS THE CREDIT; AND
- 36 (X) 0% FOR EACH TAXABLE YEAR THEREAFTER.

1 (3) (I) IN ORDER TO QUALIFY FOR THE TAX CREDIT UNDER THIS
2 SUBSECTION, A HOMEOWNER CLAIMING THE CREDIT MUST APPLY TO THE
3 DEPARTMENT AS PRESCRIBED BY THE DEPARTMENT BY REGULATION.

4 (II) THE APPLICATION SHALL ESTABLISH TO THE SATISFACTION OF
5 THE DEPARTMENT THAT THE APPLICANT IS ELIGIBLE FOR THE TAX CREDIT
6 ALLOWED UNDER THIS SUBSECTION.

7 (III) IF APPROVED BY THE DEPARTMENT UNDER THIS PARAGRAPH,
8 THE TAX CREDIT UNDER THIS SUBSECTION SHALL BE INCLUDED ON THE
9 HOMEOWNER'S PROPERTY TAX BILL.

10 (4) THE CREDIT UNDER THIS SUBSECTION MAY NOT BE CLAIMED FOR A
11 DWELLING FOR WHICH REPAIR OR RECONSTRUCTION IS COMPLETED:

12 (I) BEFORE JULY 1, 2005; OR

13 (II) AFTER JUNE 30, 2008.

14 [(j)] (K) The Department shall adopt rules and regulations to implement this
15 section.

16 [(k)] (L) The tax credit under this section shall be known as the homestead
17 property tax credit.

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
19 June 1, 2005, and shall be applicable to all taxable years beginning after June 30,
20 2005.