

Department of Legislative Services  
Maryland General Assembly  
2005 Session

FISCAL AND POLICY NOTE

House Bill 1291  
Ways and Means

(Delegate Vaughn, *et al.*)

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Property Tax - Credit for Individuals over Age 65

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This bill authorizes a county or municipal government to grant, by law, a property tax credit against the county or municipal property tax imposed on a dwelling owned by an individual who is at least 65 years old. County and municipal governments are authorized to determine the amount and duration of any property tax credit established.

The bill takes effect June 1, 2005 and applies to taxable years beginning after June 30, 2005.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Potentially significant decrease in local government property tax revenue. The amount of the decrease depends on the number of local governments granting the credit, the number of eligible homeowners, and assessment of affected homes.

**Small Business Effect:** None.

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Analysis

**Current Law:** County governments and municipal corporations may not grant property tax credits for property owned by individuals who are over 65 years old.

**Background:** The State has two primary property tax relief programs to assist senior citizens: the Homeowners' Property Tax Credit Program and the Homestead Property Tax Credit Program.

### *Homeowners' Property Tax Credit Program*

The Homeowners' Property Tax Credit Program, which provides credits against State and local real property taxes for homeowners who qualify based on a sliding scale of property tax liability and income, is a State-funded program, with the State reimbursing local governments for the cost of the credit against local property taxes. When originally established in 1975, the program was limited to elderly homeowners and homeowners with disabilities but was expanded to homeowners of all ages in 1978. The counties and municipalities are authorized to enact locally-funded supplements to the Homeowners' Property Tax Credit.

### *Homestead Property Tax Credit Program*

The Homestead Property Tax Credit Program provides tax credits against State, county, and municipal corporation real property taxes for owner-occupied residential properties for the amount of real property taxes attributable to annual assessment increases that exceed a specified percentage in any given year. In other words, any increase in taxable assessments each year is limited to a fixed percentage. The program, enacted in 1977, mandated an assessment credit of 15%.

Since July 1991, the State has required the limit on assessment increases to be set at 10% for State property tax purposes. Local governments have the authority to lower the rate for local property tax purposes. The credit is applied against the tax due on the portion of the reassessment, if any, exceeding 10% (or the lower local limit) from one year to the next. In fiscal 2005, 10 of the 24 jurisdictions in Maryland have assessment limits below 10%: Garrett, Howard, Kent, St. Mary's, and Worcester counties – 5%; Baltimore City and Baltimore County – 4%; Anne Arundel and Prince George's counties – 2%; and Talbot County – 0%.

**Local Fiscal Effect:** The bill could result in a significant decrease in local government property tax revenues. The amount of the decrease depends on the number of local governments granting the credit, the number of eligible homeowners, and the assessment of affected homes.

*For illustrative purposes only*, according to the 2003 American Community Survey, from the U.S. Census, 594,609 Marylanders are age 65 and over, representing 11.1% of the State's population. Also, there are 2,048,134 occupied housing units in the State, of which 1,421,278 or 69.4% are owner occupied. If it is assumed that homeowners reflect the population as a whole, then 157,303 housing units could be owned by individuals who are at least 65 years old.

For fiscal 2005, the average home assessment is \$184,270. Assuming an average local tax rate of \$1.00 per \$100 of assessment, then total county taxes paid by homeowners who are at least 65 years old could total approximately \$289.7 million. If a 50% property tax credit were enacted in each jurisdiction, total county revenues would decrease by \$144.9 million.

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### **Additional Information**

**Prior Introductions:** A similar bill, HB 1325 was introduced in the 2004 session. The bill was withdrawn.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, Montgomery County, Prince George's County, Caroline County, Calvert County, Howard County, Baltimore City, Department of Legislative Services

**Fiscal Note History:** First Reader - March 10, 2005  
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