
By: **Senator Astle**

Introduced and read first time: January 25, 2006

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 22, 2006

CHAPTER _____

1 AN ACT concerning

2 **Homestead Tax Credit - Eligibility - Razed Property and Substantially**
3 **Improved Property**

4 FOR the purpose of providing that ~~for purposes of the homestead property tax credit,~~
5 a homeowner otherwise eligible for the homestead property tax credit who does
6 not actually reside in a dwelling for the required period of time under certain
7 circumstances may continue to qualify for the credit for certain tax years;
8 providing that the full benefit of the credit received in the previous existing at
9 the commencement of a certain taxable year shall be reflected in the taxable
10 assessment of the total property for the current taxable year under certain
11 circumstances, regardless of the homeowner's actual occupancy of the dwelling
12 may not be diminished, subject to certain exceptions; providing for the
13 calculation of the homestead credit associated with the initial taxable
14 assessment of certain improvements; providing for the retroactive application of
15 this Act; providing for certain refunds under certain circumstances; and
16 generally relating to the homestead property tax credit.

17 BY ~~adding to~~ repealing and reenacting, with amendments,
18 Article - Tax - Property
19 Section ~~9-105(d)~~ 9-105(c)
20 Annotated Code of Maryland
21 (2001 Replacement Volume and 2005 Supplement)

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

1 **Article - Tax - Property**

2 9-105.

3 ~~(L) (1) THIS SUBSECTION APPLIES ONLY IF:~~4 ~~(I) A HOMEOWNER HAS HELD A LEGAL INTEREST IN A DWELLING~~
5 ~~FOR AT LEAST THE 3 FULL PREVIOUS TAX YEARS; AND~~6 ~~(II) THE DWELLING WAS ELIGIBLE FOR A CREDIT UNDER THIS~~
7 ~~SECTION FOR THE PREVIOUS TAXABLE YEAR.~~8 ~~(2) IF DURING THE PREVIOUS TAXABLE YEAR A DWELLING ON~~
9 ~~PROPERTY WAS RAZED BY THE HOMEOWNER FOR THE PURPOSE OF REPLACING IT~~
10 ~~WITH A NEW DWELLING OR WAS VACATED BY THE HOMEOWNER FOR THE PURPOSE~~
11 ~~OF MAKING SUBSTANTIAL IMPROVEMENTS TO THE PROPERTY, THE FULL BENEFIT~~
12 ~~OF THE CREDIT RECEIVED UNDER THIS SECTION IN THE PREVIOUS TAXABLE YEAR~~
13 ~~SHALL BE REFLECTED IN THE TAXABLE ASSESSMENT OF THE TOTAL PROPERTY,~~
14 ~~INCLUDING ANY NEW IMPROVEMENTS, FOR THE CURRENT TAXABLE YEAR,~~
15 ~~REGARDLESS OF THE HOMEOWNER'S ACTUAL OCCUPANCY OF THE DWELLING.~~16 ~~(3) THE ASSESSMENT CALCULATED UNDER THIS SUBSECTION MAY NOT~~
17 ~~BE LESS THAN ZERO.~~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 entity 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 entity; or

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

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

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

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

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

19 (5) (I) THIS PARAGRAPH APPLIES ONLY IF THE HOMEOWNER OWNED
20 AND OCCUPIED A DWELLING ON THE SUBJECT PROPERTY AS THE HOMEOWNER'S
21 PRINCIPAL RESIDENCE FOR AT LEAST THE 3 TAX YEARS IMMEDIATELY PRECEDING
22 THE RAZING OF THE DWELLING OR THE COMMENCEMENT OF SUBSTANTIAL
23 IMPROVEMENTS ON THE PROPERTY.

24 (II) IF A HOMEOWNER OTHERWISE ELIGIBLE FOR A CREDIT UNDER
25 THIS SECTION DOES NOT ACTUALLY RESIDE IN A DWELLING ON THE SUBJECT
26 PROPERTY FOR THE REQUIRED PERIOD OF TIME UNDER SUBSECTION (A)(2) OR
27 SUBSECTION (D)(2) OF THIS SECTION BECAUSE THE DWELLING WAS RAZED BY THE
28 HOMEOWNER FOR THE PURPOSE OF REPLACING IT WITH A NEW DWELLING OR WAS
29 VACATED BY THE HOMEOWNER FOR THE PURPOSE OF MAKING SUBSTANTIAL
30 IMPROVEMENTS TO THE PROPERTY, THE HOMEOWNER MAY CONTINUE TO QUALIFY
31 FOR A CREDIT UNDER THIS SECTION FOR THE TAX YEAR IN WHICH THE RAZING OR
32 THE SUBSTANTIAL IMPROVEMENTS WERE COMMENCED AND 1 SUCCEEDING TAX
33 YEAR EVEN IF THE DWELLING HAS BEEN REMOVED FROM THE ASSESSMENT ROLL.

34 (III) IF A HOMEOWNER QUALIFIES FOR A CREDIT UNDER THIS
35 PARAGRAPH, THE FULL BENEFIT OF THE CREDIT EXISTING AT THE COMMENCEMENT
36 OF THE TAX YEAR IN WHICH THE RAZING OR VACATING OF THE DWELLING
37 OCCURRED MAY NOT BE DIMINISHED DURING THAT TAX YEAR EXCEPT THAT
38 NEITHER THE CALCULATION OF THE ABATEMENT NOR THE ASSESSMENT UNDER
39 THIS PARAGRAPH SHALL INCLUDE AN ASSESSMENT LESS THAN ZERO.

40 (IV) IF A HOMEOWNER QUALIFIES FOR A CREDIT UNDER THIS
41 PARAGRAPH, THE CALCULATION OF THE CREDIT ASSOCIATED WITH THE INITIAL
42 TAXABLE ASSESSMENT OF THE SUBSTANTIALLY COMPLETED NEW IMPROVEMENTS,

1 WHICH IS EFFECTIVE ON OR BEFORE THE SECOND JULY 1 AFTER THE RAZING OR
2 VACATING OF THE DWELLING, SHALL INCLUDE THE REVALUATION UNDER §
3 8-104(C)(1)(III) OF THIS ARTICLE.

4 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
5 June 1, 2006, and shall be applicable to all taxable years beginning after June 30,
6 ~~2006~~ 2003. For any taxable year beginning after June 30, 2003, but before July 1,
7 2006:

8 (1) The State, a county, and a municipal corporation shall provide
9 refunds of any State, county, and municipal corporation property tax that a
10 homeowner has paid on a dwelling in excess of the property tax properly imposed on
11 the dwelling after reflecting the homestead property tax credit for the dwelling under
12 § 9-105 of the Tax - Property Article as enacted by Section 1 of this Act; and

13 (2) A claim for a refund of property tax authorized under this section
14 that is submitted on or before December 31, 2006, shall be allowed notwithstanding
15 the expiration of the time period for filing refund claims under § 14-915 of the Tax -
16 Property Article.