

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 173 (Chairman, Ways and Means Committee)
(By Request – Departmental – Assessments and Taxation)

Ways and Means Budget and Taxation

Homestead Tax Credit - Eligibility - Transferred Property

This departmental bill clarifies a specified application procedure for the Homestead Property Tax Credit regarding dwellings transferred in a deed dated on or after January 1 but before the beginning of the next taxable year where the deed is not recorded with the Clerk of the Court prior to the beginning of the next taxable year. Under these circumstances, the bill provides that the new owner may submit a written application to the State Department of Assessments and Taxation (SDAT) within 60 days of the date of the deed requesting that the date of the deed be accepted by SDAT as the date of transfer.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: None. This bill clarifies current law.

Local Effect: None.

Small Business Effect: The State Department of Assessments and Taxation has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law/Background: Chapter 555 of 2005 provides that, for purposes of the Homestead Property Tax Credit, a homeowner may receive the homestead credit for the

taxable year after a property transfers, under specified circumstances. For this to occur, the property must transfer between January 1 and the beginning of the next taxable year to a new owner and the property must have not been transferred on the assessment rolls prior to the beginning of the next taxable year. If these circumstances are met, the new owner may submit an application to SDAT within 60 days of the property transfer. The date of transfer is the effective date of the deed if the date of recordation ultimately occurs after June 30, then the new property owner must submit a copy of the executed deed showing the date of transfer.

If a property transfers during the previous tax year, the new owner is not eligible to receive the Homestead Property Tax Credit for the tax year beginning July 1, as SDAT recognizes July 1 as the date of deed recordation as the date of transfer. For many properties that transfer during June, deeds are not usually recorded until after July 1. As a result, the new property owner may continue to receive the previous owner's Homestead Property Tax Credit and then be disqualified the following July 1.

The bill is intended to clarify that the property owner who is applying to SDAT under Chapter 555 is not applying to receive the homestead credit, but rather to be recognized as the homeowner as of July 1.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - February 3, 2006
ncs/hlb

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