

**Department of Legislative Services**  
Maryland General Assembly  
2006 Session

**FISCAL AND POLICY NOTE**

House Bill 969  
Ways and Means

(Delegate Kach)

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**Real Property Assessment Notices - Homestead Property Tax Credit**

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This bill requires the State Department of Assessments and Taxation (SDAT) to provide specified information on each assessment notice for property eligible for the homestead property tax credit.

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**Fiscal Summary**

**State Effect:** Potential increase in general fund expenditures. However, the amount cannot be reliably estimated and depends on a contract with an outside vendor. Until any increase in production costs is known, they are assumed to be absorbable within existing agency resources.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** Specifically, the bill requires SDAT to include on each assessment notice: (1) a statement briefly describing the homestead property tax credit and stating the homestead tax credit percentages for State, county, and municipal property tax purposes for the first year of the three-year cycle; and (2) the amount of the potential taxable assessment for each year of the three-year cycle for State, county, and municipal property tax purposes based on the proposed value of the property and the homestead property tax credit percentages in effect for the first year of the three-year cycle for State, county, and municipal property tax purposes.

**Current Law:** Currently, a letter is enclosed with each assessment notice. The back of the letter is a one page explanation of the homestead property tax credit. The front of the notice currently contains 10 boxes. Box 1 lists the current full cash value of your property. Boxes 2 through 4 provide the taxable assessment for county, State, and municipal purposes for the first year of the triennial cycle, which is based on the homestead property tax credit in place for the following July 1. Boxes 5 through 7 indicate the new full market value of the property; Box 5 is the land value, Box 6 is the value of all buildings, and Box 7 is the total of boxes 5 and 6. Boxes 8 through 10 show the phased-in assessment increase for the three-year period.

The front of the notice also gives information about the property. If a property is eligible for the homestead property tax credit, information concerning the percentage for the State and county is listed in a statement printed on the top of the notice.

**Background:** The Homestead Property Tax Credit Program (assessment caps) provides tax credits against State, county, and municipal real property taxes for owner-occupied residential properties for the amount of real property taxes resulting from an annual assessment increase that exceeds a certain percentage or “cap” in any given year. The State requires the cap on assessment increases to be set at 10% for State property tax purposes; however, local governments have the authority to lower the rate for local tax purposes. In fiscal 2007, 15 of the 24 local jurisdictions have assessment caps below 10%. In addition, 65 of the State’s 156 municipalities have also lowered assessment caps below 10%.

**State Fiscal Effect:** SDAT sends out approximately 700,000 assessment notices each year, as well as other notices for changes in property status. SDAT currently contracts with an outside vendor to process and mail assessment notices. The current cost for these services is \$250,000, which includes \$50,000 for notice production and \$200,000 for postage.

SDAT advises that the changes to the assessment notice pursuant to the bill could result in increased notice production costs based on a new contract with the vendor. SDAT indicates that it would try to add the new information to the current form in order to keep the form the same size, which would allow postage costs to remain the same. However, any increased production costs cannot be reliably estimated at this time. Legislative Services advises that until the actual production costs resulting from the bill are known, these costs are assumed to be absorbable within existing agency resources.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 27, 2006  
mam/hlb

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