

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 716
Ways and Means

(Delegate Bates, *et al.*)

Local Property Tax - Credit for Individuals at Least 65 Years Old

This bill authorizes local governments to grant, by law, a tax credit against the county or municipal property tax imposed on real property that is owned and used as the principal residence of an individual who is at least 65 years old and of limited income. The credit may only be granted if the county or municipal corporation has authorized a credit for individuals age 70 or over, per Chapter 455 of 2006. The calculation of the credit under this bill may not be greater than the calculation of the credit under Chapter 455.

Local governments are authorized to provide, by law, for the amount and duration of the tax credit, additional eligibility criteria for the tax credit, regulations and procedures for the application and uniform processing of requests for the tax credit, and any other provisions necessary.

The bill takes effect June 1, 2007 and applies to all taxable years beginning after June 30, 2007.

Fiscal Summary

State Effect: None.

Local Effect: Potential significant decrease in county and municipal property tax revenues. The amount depends on the nature of the credit granted and the number of eligible homeowners in each jurisdiction. *Under one set of assumptions*, county property tax revenues could decrease by \$39.3 million in FY 2008 and municipal revenues could decrease by \$2.3 million.

Small Business Effect: None.

Analysis

Current Law: Local governments are authorized to provide a property tax credit for the principal residence of an individual who is at least 70 years old and of limited income. Three counties – Carroll, Howard, and St. Mary’s – have enacted property tax credits for individuals age 70 and over.

Background: Chapter 455 of 2006 (HB 288) authorized Baltimore City, counties, and municipal corporations to grant, by law, a tax credit against the county or municipal property tax imposed on real property that is owned and used as the principal residence of an individual who is at least 70 years old and of limited income. Local jurisdictions are authorized to provide, by law, for the amount and duration of the tax credit, additional eligibility criteria for the tax credit, regulations and procedures for the application and uniform processing of requests for the tax credit, and any other provisions necessary.

Chapter 246 of 2005 authorized the Carroll County Commissioners to grant, by law, a property tax credit on real property used as a principal residence and owned by individuals who are at least 65 years old and of limited incomes. The county commissioners may establish eligibility criteria for the credit, the amount and duration of the tax credit, regulations and procedures, and any other provisions necessary to carry out the credit.

Chapter 195 of 2005 authorized St. Mary’s County to grant a property tax credit against the county property tax for individuals who are at least 70 years old and of limited income. The county may provide, by law, eligibility criteria for the credit, the amount and duration of the tax credit, regulations and procedures for the application and uniform processing of requests for the tax credit, and any other provision necessary to carry out the tax credit. The credit applies to tax years beginning July 1, 2005 through June 30, 2008.

The Homeowners’ Property Tax Credit Program (Circuit Breaker) provides credits against State and local real property taxation for homeowners who qualify based on a sliding scale of property tax liability and income. The Homeowners’ Property Tax Credit is a State-funded program, with the State reimbursing local governments for the cost of the credit against local property taxes. This program, initiated in 1975, was originally limited to homeowners age 60 and older and homeowners with disabilities, but was expanded to homeowners of all ages in 1978. The counties and municipalities are authorized to enact local supplements to the Homeowners’ Property Tax Credit, with these jurisdictions bearing the cost of the supplemental credits. Prior to July 1, 2005,

Montgomery and Anne Arundel counties were the only jurisdictions providing a local supplement; beginning July 1, 2005, Charles, Frederick, and Howard counties, as well as the City of Rockville, will also provide a local supplement.

Local Fiscal Effect: County and municipal property tax revenues could decrease to the extent that local jurisdictions grant the property tax credit authorized by the bill. However, the actual amount of the revenue decrease depends on the amount of any credit granted and the number of eligible homeowners. **Exhibit 1** shows, *for illustrative purposes only*, a potential effect on counties of granting a 50% local property tax credit for individuals who are between 65 to 70 years old and who has household income of less than \$40,000. The estimate is based on the following:

- average assessment for the tax year beginning July 1, 2007;
- current local property tax rates;
- countywide homeownership rates in 2000 calculated by the U.S. Census Bureau;
- householders between 65 and 70 years old and with income under \$40,000, as calculated using 2000 census data; and
- counties will grant a property tax credit for 50% of the tax imposed.

Based on these assumptions, county property tax revenues could decrease by \$39.3 million and municipal property tax revenues could decrease by \$2.3 million.

The actual local impact could be less depending on the number of local jurisdictions granting a property tax credit and the eligibility requirements. In addition, the effect could be lessened due to the fact that this credit cannot exceed the amount of any credit granted as a result of Chapter 455.

In fiscal 2007, the State projects issuing tax credits under the Homeowners' Property Tax Credit Program (Circuit Breaker) to 47,327 individuals with the average property tax credit being \$978.

Exhibit 1
Potential Impact of a 50% Tax Credit for Homeowners Ages 65 – 70

	<u>Average Assessment</u> ¹	<u>Tax Rate</u>	<u>Tax</u>	<u>Householders 65 -70 Years of Age and Income Under \$40,000</u>	<u>Home Ownership Rate</u>	<u>Homeowners Receive 50% Tax Credit</u>
Allegany	\$74,093	\$0.9829	\$728	1,602	70.2%	(\$409,374)
Anne Arundel	283,418	0.9180	2,602	3,865	75.5%	(3,796,091)
Baltimore City	95,060	2.2880	2,175	10,898	50.3%	(5,961,268)
Baltimore	190,733	1.1000	2,098	9,280	67.6%	(6,580,868)
Calvert	255,178	0.8920	2,276	531	85.2%	(514,887)
Caroline	142,880	0.8700	1,243	406	74.1%	(186,754)
Carroll	239,945	1.0480	2,515	1,534	82.0%	(1,581,032)
Cecil	183,742	0.9600	1,764	856	75.0%	(565,889)
Charles	224,669	1.0260	2,305	749	78.2%	(674,620)
Dorchester	130,843	0.8960	1,172	633	70.1%	(259,900)
Frederick	245,156	1.0640	2,608	1,623	75.9%	(1,606,625)
Garrett	106,330	1.0000	1,063	561	77.9%	(232,341)
Harford	204,561	1.0820	2,213	2,117	78.0%	(1,826,977)
Howard	333,281	1.1395	3,798	1,185	73.8%	(1,659,917)
Kent	187,358	0.9720	1,821	327	70.4%	(209,618)
Montgomery	408,234	0.9160	3,739	4,456	68.7%	(5,723,696)
Prince George's	207,143	1.3190	2,732	4,825	61.8%	(4,073,107)
Queen Anne's	289,641	0.8000	2,317	479	83.4%	(462,347)
St. Mary's	208,274	0.8570	1,785	677	71.8%	(433,489)
Somerset	92,459	0.9400	869	453	69.6%	(137,011)
Talbot	334,624	0.5000	1,673	554	71.6%	(331,534)
Washington	157,294	0.9480	1,491	2,146	65.6%	(1,049,356)
Wicomico	132,996	0.9420	1,253	1,169	66.5%	(486,754)
Worcester	<u>210,391</u>	0.7000	1,473	<u>924</u>	<u>75.0%</u>	<u>(510,027)</u>
Total	\$243,503			51,843	67.7%	(\$39,273,482)

¹ Average assessment for the jurisdiction is before the deduction of any credits.

² US Census Bureau, 2000 Census; Maryland Department of Planning.

Source: State Department of Assessments and Taxation, Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Comptroller's Office, Allegany County, Baltimore City, Prince George's County, Montgomery County, Wicomico County, Town of Elkton, Department of Aging, Department of Legislative Services

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