

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 736 (Senator Muse)
Budget and Taxation

Property Tax Credit - Individuals at Least 65 Years Old

This bill requires county and municipal governments to grant a property tax credit against the property tax imposed on real property that is the principal residence of an individual who is at least age 65. The amount of the credit is equal to 25% of the tax imposed for fiscal 2009, 40% for fiscal 2010, and 50% for fiscal 2011 and beyond.

The bill takes effect June 1, 2008 and applies to taxable years beginning after June 30, 2008.

Fiscal Summary

State Effect: None.

Local Effect: County property tax revenues could decrease by \$239.5 million in FY 2009 and by \$538.9 million in FY 2011. Municipal revenues could decrease by \$15.6 million in FY 2009 and by \$35.0 million in FY 2011. **This bill imposes a mandate on a unit of local government.**

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.

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: The bill requires counties and municipalities to grant a property tax credit for homeowners who are at least 65 years old. As a result, county property tax revenues could decrease by \$239.5 million in fiscal 2009 as shown in **Exhibit 1**. In addition, municipal revenues would decrease by an estimated \$15.6 million in fiscal 2009 and by \$35.0 million in fiscal 2011. Counties could also incur some additional expenditures related to the administration of the credit. The estimated is based on the following:

- average assessment data for the tax year beginning July 1, 2008.
- current local property tax rates.
- countywide homeownership rates in 2000 calculated by the U.S. Census Bureau.
- householders ages 65 and over.
- municipal property tax revenue loss equals approximately 6.5% of the county revenue loss.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 3, 2008
mll/hlb

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Exhibit 1
County Revenue Decrease – Property Tax Credit for Ages 65 and Over
Fiscal 2009-2011

County	Average Assessment	Tax Rate	Tax	65 and over Residents	Home Ownership Rate	Homestead Cap	FY 2009 25% Tax Credit	FY 2010 40% Tax Credit	FY 2011 50% Tax Credit
Allegany	\$81,378	\$0.983	\$800	9,134	70.2%	10.0%	(\$1,410,362)	(\$2,482,236)	(\$3,413,075)
Anne Arundel	331,888	0.891	2,957	38,583	75.5%	2.0%	(21,965,862)	(35,848,286)	(45,706,565)
Baltimore City	113,460	2.268	2,573	53,647	50.3%	4.0%	(18,054,112)	(30,042,043)	(39,054,656)
Baltimore	224,534	1.100	2,470	78,954	67.6%	4.0%	(34,274,485)	(57,032,744)	(74,142,567)
Calvert	301,857	0.892	2,693	5,855	85.2%	10.0%	(3,693,605)	(6,500,744)	(8,938,523)
Caroline	169,211	0.870	1,472	2,902	74.1%	5.0%	(831,042)	(1,396,151)	(1,832,448)
Carroll	279,977	1.048	2,934	13,377	82.0%	7.0%	(8,609,543)	(14,739,538)	(19,714,132)
Cecil	212,553	0.960	2,041	7,452	75.0%	8.0%	(3,079,266)	(5,320,972)	(7,183,312)
Charles	269,286	1.026	2,763	7,932	78.2%	7.0%	(4,584,136)	(7,848,042)	(10,496,756)
Dorchester	154,902	0.896	1,388	3,880	70.1%	5.0%	(990,960)	(1,664,812)	(2,185,066)
Frederick	289,571	1.064	3,081	15,366	75.9%	5.0%	(9,432,787)	(15,847,081)	(20,799,294)
Garrett	117,771	1.000	1,178	3,377	77.9%	5.0%	(813,227)	(1,366,222)	(1,793,167)
Harford	235,475	1.082	2,548	18,489	78.0%	9.0%	(10,012,646)	(17,462,054)	(23,792,049)
Howard	391,204	1.150	4,499	16,838	73.8%	5.0%	(14,674,812)	(24,653,683)	(32,357,959)
Kent	215,923	0.972	2,099	2,689	70.4%	5.0%	(1,043,092)	(1,752,394)	(2,300,017)
Montgomery	473,556	0.916	4,338	77,521	68.7%	10.0%	(63,529,346)	(111,811,649)	(153,741,017)
Prince George's	246,690	1.319	3,254	50,989	61.8%	3.0%	(26,401,954)	(43,510,420)	(56,019,665)
Queen Anne's	336,744	0.770	2,593	4,177	83.4%	5.0%	(2,371,045)	(3,983,356)	(5,228,155)
St. Mary's	247,522	0.857	2,121	6,542	71.8%	5.0%	(2,615,326)	(4,393,747)	(5,766,793)
Somerset	109,026	0.940	1,025	2,426	69.6%	10.0%	(475,910)	(837,602)	(1,151,703)
Talbot	390,257	0.475	1,854	5,559	71.6%	0.0%	(1,844,696)	(2,951,513)	(3,689,391)
Washington	186,897	0.948	1,772	13,738	65.6%	5.0%	(4,191,323)	(7,041,422)	(9,241,867)
Wicomico	151,540	0.881	1,335	8,436	66.5%	10.0%	(2,059,583)	(3,624,866)	(4,984,190)
Worcester	247,140	0.700	1,730	7,536	75.0%	3.0%	(2,517,633)	(4,149,058)	(5,341,913)
Total	\$243,503			455,398	67.7%		(\$239,476,751)	(\$406,260,637)	(\$538,874,281)