

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 880 (Delegate Glass, *et al.*)
Ways and Means

Property Tax - Credit for Individuals At Least 60 Years Old

This bill lowers the minimum age requirement, from 65 to 60 years of age, for the existing local property tax credit for senior citizens of limited income.

The bill takes effect June 1, 2012, and applies to all taxable years beginning after June 30, 2012.

Fiscal Summary

State Effect: None.

Local Effect: Assuming local governments grant the tax credit, county and municipal property tax revenues may decrease by a significant amount beginning in FY 2013 depending on the amount of the tax credit granted and the number of eligible recipients. Under one set of assumptions, county revenues may decrease by \$9.6 million and municipal revenues may decrease by \$0.7 million. This estimate assumes that all local jurisdictions currently grant the local property tax credit, and will lower the minimum age requirement. County and municipal expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Chapter 455 of 2006 authorized local governments to grant a property tax credit for 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 were authorized to provide 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 416 of 2009 lowered the minimum age requirement, from 70 to 65 years of age, for the property tax credit.

Background: The Homeowners' Property Tax Credit Program (Circuit Breaker) is a State-funded program (*i.e.*, the State reimburses local governments) providing credits against State and local real property taxation for homeowners who qualify based on a sliding scale of property tax liability and income. **Exhibit 1** shows the number of individuals qualifying for the tax credit and the total cost of the program since fiscal 2013, as referenced in the State budget.

Exhibit 1
Homeowners' Property Tax Credit Program
Fiscal 2005-2013

<u>Fiscal Year</u>	<u>Eligible Applications</u>	<u>State Funding</u>	<u>Average Credit Amount</u>
2005 Actual	48,666	\$39.5 million	\$812
2006 Actual	46,628	41.7 million	893
2007 Actual	48,290	45.6 million	944
2008 Actual	46,618	45.2 million	971
2009 Actual	47,781	50.3 million	1,053
2010 Actual	49,658	55.4 million	1,115
2011 Actual	50,950	55.6 million	1,091
2012 Estimated	51,612	59.2 million	1,147
2013 Allowance	52,280	60.0 million	1,148

Source: *Maryland State Budget Document for Fiscal 2013, Volume 1*

Local Fiscal Effect: County and municipal property tax revenues will decrease beginning in fiscal 2013 to the extent that local jurisdictions grant the property tax credit and lower the minimum age requirement as 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. The State Department of Assessments and Taxation estimates that, based on 2011 applications, approximately 10% of applicants for the Homeowners' Property Tax Credit Program are between 60 and 65 years old.

For illustrative purposes only, if an additional 7,420 homeowners become eligible (based on 2011 Homeowners' Property Tax Credit applications) for the local property tax credit, and assuming an average county tax rate of \$1.001 per \$100 of assessment and an average assessment of \$258,775, a 50% tax credit may reduce county property tax revenues by \$9.6 million beginning in fiscal 2013. Municipal property tax revenues may decrease by \$0.7 million.

However, the actual local impact will vary depending on the number of local jurisdictions granting a property tax credit and the eligibility requirements developed by each jurisdiction.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Montgomery County, Town of Bel Air, Town of Leonardtown, City of Salisbury, State Department of Assessments and Taxation, Department of Legislative Services

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mm/hlb

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