

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 629
Ways and Means

(Delegate Bobo, *et al.*)

Maryland Renter's Property Tax Relief Program

This bill alters the eligibility criteria for the Renter's Property Tax Credit Program by repealing specified age, disability, income, and dependent requirements.

The bill takes effect July 1, 2012, and applies to all calendar years beginning after December 31, 2011.

Fiscal Summary

State Effect: General fund expenditures for the Renter's Property Tax Credit Program increase by approximately \$113.0 million beginning in FY 2013. Revenues are not affected.

(\$ in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	113.0	113.0	113.0	113.0	113.0
Net Effect	(\$113.0)	(\$113.0)	(\$113.0)	(\$113.0)	(\$113.0)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill alters the eligibility criteria for the Renter's Property Tax Credit Program by repealing specified age, disability, income, and dependent requirements. Specifically, the bill repeals the requirements that a renter must be (1) at least 60 years old; (2) found permanently and totally disabled and have qualified for benefits under the

Social Security Act, the Railroad Retirement Act, any federal act for members of the U.S. armed forces, or any federal retirement system; (3) found permanently and totally disabled by a county health officer or the Baltimore City Health Commissioner; or (4) under the age of 60 and have gross income below the poverty threshold and have one or more dependent children under 18 years old living with the renter.

Current Law: A renter who is eligible for the Renter's Property Tax Credit Program must be (1) at least 60 years old; (2) found permanently and totally disabled and have qualified for benefits under the Social Security Act, the Railroad Retirement Act, any federal act for members of the U.S. armed forces, or any federal retirement system; (3) found permanently and totally disabled by a county health officer or the Baltimore City Health Commissioner; or (4) under the age of 60 and have gross income below the poverty threshold, have one or more dependent children under 18 years old living with the renter, and do not receive federal or State housing subsidies or live in public housing.

Background: The Renter's Property Tax Credit Program provides relief for elderly or disabled renters from the burden attributable to State and local real property taxes. The concept behind the program is that renters indirectly pay property taxes as part of their rent and thus should have some protection, as do homeowners. It is not actually a tax credit, but rather makes payments directly to eligible renters to provide relief for the "assumed property tax" that renters indirectly pay as part of their rent.

Originally, the program was based on an "assumed property tax bill" equal to 10% of rent paid. Credits were substantially increased in 1981 to 15% of rent paid. As under the homeowners' property tax credit program, qualification is based on a sliding scale of assumed property tax liability and income. If the portion of rent attributable to the assumed property taxes exceeds a fixed amount in relation to income, the renter can, under specified conditions, receive a credit of as much as \$750.

The formula to calculate the credit has been altered three times, increasing the credit by \$15 in 1982 and 1985, and again in 1989 by \$40. The maximum credit allowed was increased from \$450 to \$500 in 1985, to \$600 in 1989, and to \$750 in 2006. Finally, in 1992, the program was expanded to include certain renters under 60 years of age who live with a minor dependent. The State pays the amount directly to program recipients.

Currently, approximately 7,500 individuals are eligible for the tax credit program. The estimated cost for the program in fiscal 2013 is \$2.4 million, with an average tax credit of \$320.

State Fiscal Effect: The bill repeals all current age, disability, income, and dependent requirements for the Renter's Property Tax Credit Program, thereby expanding the program to virtually all renters in the State. As a result, general fund expenditures for the program will increase by approximately \$113.0 million beginning in fiscal 2013. This estimate is based on the number of rental units (360,757) in the State, as shown in

Exhibit 1, and the estimated average tax credit (\$320) under the current program for fiscal 2013. To the extent that the number of eligible renters and the average tax credit differ from those used in the estimate, general fund expenditures will vary accordingly.

Exhibit 1
Rental Properties in Maryland

County	Rental Properties	Rental Units
Allegany	38	454
Anne Arundel	211	22,266
Baltimore City	1,958	46,903
Baltimore	2,549	78,130
Calvert	18	571
Caroline	55	614
Carroll	181	2,117
Cecil	113	3,080
Charles	62	3,768
Dorchester	25	401
Frederick	258	6,099
Garrett	37	439
Harford	194	5,315
Howard	120	16,997
Kent	22	771
Montgomery	1,623	67,006
Prince George's	1,046	88,139
Queen Anne's	18	214
St. Mary's	129	4,246
Somerset	36	564
Talbot	86	901
Washington	537	7,833
Wicomico	146	3,288
Worcester	135	641
Total	9,597	360,757

Source: State Department of Assessments and Taxation

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore and Montgomery counties, State Department of Assessments and Taxation, Property Tax Assessment Appeals Board, Department of Legislative Services

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