

SENATE BILL 961

Q2

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CF HB 920

By: **Senator Ferguson**

Introduced and read first time: February 7, 2014

Assigned to: Rules

Re-referred to: Budget and Taxation, February 19, 2014

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 28, 2014

CHAPTER _____

1 AN ACT concerning

2 **Baltimore City Residential Retention Act**

3 FOR the purpose of ~~allowing a homeowner who has received the homestead property~~
4 ~~tax credit for a dwelling in Baltimore City to receive a homestead credit for a~~
5 ~~newly purchased dwelling in Baltimore City under certain circumstances;~~
6 ~~requiring that the credit for a newly purchased dwelling be calculated in a~~
7 ~~certain manner; providing that a homeowner may receive the larger of the~~
8 ~~homestead property tax credit amounts as calculated using certain methods;~~
9 ~~providing for the application and termination of this Act; and generally relating~~
10 ~~to the homestead property tax credit~~ requiring the Mayor and City Council of
11 Baltimore City to grant, by law, a certain property tax credit against the
12 property tax imposed on a dwelling in Baltimore City that is newly purchased
13 by a homeowner who has received the homestead property tax credit for a
14 dwelling in Baltimore City under certain circumstances; requiring a homeowner
15 to submit a certain application to the Director of the Department of Finance of
16 Baltimore City to receive the credit; requiring that the credit be applied in a
17 certain manner; authorizing the Mayor and City Council of Baltimore City to
18 increase the total amount of the credit under certain circumstances; providing
19 that a certain homeowner residing within a certain census tract when filing a
20 certain application shall remain eligible for the increased credit amount under
21 certain circumstances; authorizing the Director to establish certain criteria;
22 prohibiting a homeowner from receiving the credit or a portion of the credit if
23 the homeowner's property tax liability would be reduced in a certain manner;
24 prohibiting a recipient of the credit from receiving certain other property tax

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 credits; prohibiting the credit from being transferred in a certain manner;
 2 providing that a homeowner may receive a homestead property tax credit
 3 calculated in a certain manner after termination of the credit; requiring
 4 Baltimore City to allocate funds of no more than a certain amount to pay for the
 5 cost and administration of the credit; requiring the Director to review and
 6 approve applications for the credit in a certain manner; requiring the
 7 Department of Finance of Baltimore City to evaluate the efficacy of the credit
 8 and submit a report on or before a certain date; providing for the termination of
 9 this Act; defining a certain term; and generally relating to a property tax credit
 10 in Baltimore City.

11 ~~BY repealing and reenacting, without amendments,~~
 12 ~~Article – Tax – Property~~
 13 ~~Section 9-105(a)(1), (5), (7), and (9), (b), (d)(3), and (e)(1) and (2)~~
 14 ~~Annotated Code of Maryland~~
 15 ~~(2012 Replacement Volume and 2013 Supplement)~~

16 ~~BY repealing and reenacting, with amendments,~~
 17 ~~Article – Tax – Property~~
 18 ~~Section 9-105(d)(1)~~
 19 ~~Annotated Code of Maryland~~
 20 ~~(2012 Replacement Volume and 2013 Supplement)~~

21 BY adding to
 22 Article – Tax – Property
 23 Section ~~9-105(d)(7)~~ 9-304(g)
 24 Annotated Code of Maryland
 25 (2012 Replacement Volume and 2013 Supplement)

26 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 27 MARYLAND, That the Laws of Maryland read as follows:

28 **Article – Tax – Property**

29 ~~9-105.~~

30 ~~(a) (1) In this section the following words have the meanings indicated:~~

31 ~~(5) (i) “Dwelling” means:~~

32 ~~1. a house that is:~~

33 ~~A. used as the principal residence of the homeowner; and~~

34 ~~B. actually occupied or expected to be actually occupied~~
 35 ~~by the homeowner for more than 6 months of a 12-month period beginning with the~~

1 ~~date of finality for the taxable year for which the property tax credit under this section~~
2 ~~is sought; and~~

3 ~~2. the lot or curtilage on which the house is erected.~~

4 ~~(ii) "Dwelling" includes:~~

5 ~~1. a condominium unit that is occupied by an individual~~
6 ~~who has a legal interest in the condominium;~~

7 ~~2. an apartment in a cooperative apartment corporation~~
8 ~~that is occupied by an individual who has a legal interest in the apartment; and~~

9 ~~3. a part of real property used other than primarily for~~
10 ~~residential purposes, if the real property is used as a principal residence by an~~
11 ~~individual who has a legal interest in the real property.~~

12 ~~(7) "Homeowner" means an individual who has a legal interest in a~~
13 ~~dwelling or who is an active member of an agricultural ownership entity that has a~~
14 ~~legal interest in a dwelling.~~

15 ~~(9) "Taxable assessment" means the assessment on which the property~~
16 ~~tax rate was imposed in the preceding taxable year, adjusted by the phased-in~~
17 ~~assessment increase resulting from a revaluation under § 8-104(c)(1)(iii) of this~~
18 ~~article, less the amount of any assessment on which a property tax credit under this~~
19 ~~section is authorized.~~

20 ~~(b) (1) If there is an increase in property assessment as calculated under~~
21 ~~this section, the State and the governing body of each county and of each municipal~~
22 ~~corporation shall grant a property tax credit under this section against the State,~~
23 ~~county, and municipal corporation property tax imposed on real property by the State,~~
24 ~~county, or municipal corporation.~~

25 ~~(2) A property tax credit granted under this section shall be applicable~~
26 ~~to any State, county, or municipal corporation property tax and any property tax~~
27 ~~imposed for a bicounty commission.~~

28 ~~(d) (1) Subject to the provisions of paragraph (6) of this subsection AND~~
29 ~~**EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPH (7) OF THIS SUBSECTION,**~~ the
30 ~~Department shall authorize and the State, a county, or a municipal corporation shall~~
31 ~~grant a property tax credit under this section for a taxable year unless during the~~
32 ~~previous taxable year:~~

33 ~~(i) the dwelling was transferred for consideration to new~~
34 ~~ownership;~~

1 ~~(ii) the value of the dwelling was increased due to a change in~~
 2 ~~the zoning classification of the dwelling initiated or requested by the homeowner or~~
 3 ~~anyone having an interest in the property;~~

4 ~~(iii) the use of the dwelling was changed substantially; or~~

5 ~~(iv) the assessment of the dwelling was clearly erroneous due to~~
 6 ~~an error in calculation or measurement of improvements on the real property.~~

7 ~~(3) A homeowner may claim a property tax credit under this section~~
 8 ~~for only 1 dwelling.~~

9 ~~(7) (i) A HOMEOWNER WHO HAS RECEIVED A CREDIT AS~~
 10 ~~CALCULATED UNDER SUBSECTION (E) OF THIS SECTION FOR THE PRECEDING 5~~
 11 ~~YEARS FOR A DWELLING LOCATED IN BALTIMORE CITY MAY RECEIVE A CREDIT~~
 12 ~~AS CALCULATED UNDER THIS PARAGRAPH FOR A NEWLY PURCHASED DWELLING~~
 13 ~~LOCATED IN BALTIMORE CITY.~~

14 ~~(ii) 1. IN THIS SUBPARAGRAPH, "HOMESTEAD CREDIT~~
 15 ~~CARRYOVER AMOUNT" MEANS THE DIFFERENCE BETWEEN THE PRIOR YEAR'S~~
 16 ~~TAXABLE ASSESSMENT FOR THE HOMEOWNER'S PREVIOUS DWELLING AND THE~~
 17 ~~ASSESSMENT THAT WOULD HAVE APPLIED TO THE PREVIOUS DWELLING ABSENT~~
 18 ~~THE CREDIT CALCULATED UNDER SUBSECTION (E) OF THIS SECTION.~~

19 ~~2. THE PROPERTY TAX CREDIT UNDER THIS~~
 20 ~~PARAGRAPH IS CALCULATED BY MULTIPLYING THE HOMESTEAD CREDIT~~
 21 ~~CARRYOVER AMOUNT BY THE APPLICABLE PROPERTY TAX RATE FOR THE~~
 22 ~~CURRENT YEAR FOR THE HOMEOWNER'S NEWLY PURCHASED DWELLING.~~

23 ~~3. THE HOMESTEAD CREDIT CARRYOVER AMOUNT~~
 24 ~~USED TO CALCULATE THE CREDIT SHALL BE REDUCED BY 10% EACH YEAR~~
 25 ~~BEGINNING IN THE SECOND YEAR A HOMEOWNER RECEIVES THE CREDIT AS~~
 26 ~~CALCULATED UNDER THIS PARAGRAPH.~~

27 ~~(iii) A HOMEOWNER MAY RECEIVE THE GREATER OF EITHER~~
 28 ~~THE CREDIT CALCULATED UNDER THIS PARAGRAPH OR THE CREDIT~~
 29 ~~CALCULATED UNDER SUBSECTION (E) OF THIS SECTION.~~

30 ~~(e) (1) For each taxable year, the property tax credit under this section is~~
 31 ~~calculated by:~~

32 ~~(i) multiplying the prior year's taxable assessment by the~~
 33 ~~homestead credit percentage as provided under paragraph (2) of this subsection;~~

1 (ii) ~~subtracting that amount from the current year's assessment;~~
 2 ~~and~~

3 (iii) ~~if the difference is a positive number, multiplying the~~
 4 ~~difference by the applicable property tax rate for the current year.~~

5 (2) ~~For each taxable year, the homestead credit percentage under~~
 6 ~~paragraph (1)(i) of this subsection is:~~

7 (i) ~~for the State property tax and for any property tax imposed~~
 8 ~~for a bicounty commission, 110%;~~

9 (ii) ~~for the county property tax:~~

10 1. ~~the homestead credit percentage established by the~~
 11 ~~county under paragraph (3) of this subsection; or~~

12 2. ~~if the county has not set a percentage for the taxable~~
 13 ~~year under paragraph (3) of this subsection or has not notified the Department as~~
 14 ~~required under paragraph (6) of this subsection, the homestead credit percentage in~~
 15 ~~effect for the county for the preceding taxable year; and~~

16 (iii) ~~for the municipal corporation property tax:~~

17 1. ~~the homestead credit percentage established by the~~
 18 ~~municipal corporation under paragraph (4) of this subsection; or~~

19 2. ~~if the municipal corporation has not set a percentage~~
 20 ~~under paragraph (4) of this subsection or has not notified the Department as required~~
 21 ~~under paragraph (7) of this subsection, the homestead credit percentage for the~~
 22 ~~taxable year for the county in which the property is located.~~

23 ~~SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect~~
 24 ~~June 1, 2014, and shall be applicable to all taxable years beginning after June 30,~~
 25 ~~2014, but before July 1, 2024. This Act shall remain effective for a period of 10 years~~
 26 ~~and 1 month and, at the end of June 30, 2024, with no further action required by the~~
 27 ~~General Assembly, this Act shall be abrogated and of no further force and effect.~~

28 9-304.

29 **(G) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE**
 30 **THE MEANINGS INDICATED.**

31 **(II) "DIRECTOR" MEANS THE DIRECTOR OF THE**
 32 **DEPARTMENT OF FINANCE OF BALTIMORE CITY.**

1 (III) “DWELLING” HAS THE MEANING INDICATED IN § 9-105
2 OF THIS TITLE.

3 (IV) “HOMEOWNER” HAS THE MEANING INDICATED IN §
4 9-105 OF THIS TITLE.

5 (2) THE MAYOR AND CITY COUNCIL OF BALTIMORE CITY SHALL
6 GRANT, BY LAW, A PROPERTY TAX CREDIT UNDER THIS SUBSECTION AGAINST
7 THE COUNTY PROPERTY TAX IMPOSED ON A DWELLING LOCATED IN BALTIMORE
8 CITY THAT IS NEWLY PURCHASED BY A HOMEOWNER WHO HAS RECEIVED A
9 CREDIT UNDER § 9-105 OF THIS TITLE FOR THE PRECEDING 5 YEARS FOR A
10 DWELLING LOCATED IN BALTIMORE CITY.

11 (3) (I) TO QUALIFY FOR THE CREDIT UNDER THIS
12 SUBSECTION, A HOMEOWNER SHALL SUBMIT AN APPLICATION TO THE
13 DIRECTOR AS PROVIDED IN THIS PARAGRAPH.

14 (II) THE APPLICATION SHALL BE:

15 1. MADE ON THE FORM THAT THE DIRECTOR
16 REQUIRES; AND

17 2. ACCORDING TO PROCEDURES ESTABLISHED BY
18 THE DIRECTOR.

19 (4) (I) THE CREDIT UNDER THIS SUBSECTION IS A FIXED
20 AMOUNT OF \$4,000 TO BE APPLIED TO THE HOMEOWNER’S PROPERTY TAX BILL
21 OVER A PERIOD OF 5 YEARS AS FOLLOWS:

22 1. \$1,000 IN THE FIRST YEAR;

23 2. \$900 IN THE SECOND YEAR;

24 3. \$800 IN THE THIRD YEAR;

25 4. \$700 IN THE FOURTH YEAR; AND

26 5. \$600 IN THE FIFTH YEAR.

27 (II) 1. THE MAYOR AND CITY COUNCIL OF BALTIMORE
28 CITY MAY INCREASE THE TOTAL AMOUNT PROVIDED UNDER SUBPARAGRAPH (I)
29 OF THIS PARAGRAPH BY UP TO AN ADDITIONAL \$1,000 FOR A HOMEOWNER WHO
30 PURCHASES A DWELLING LOCATED WITHIN A LOW OR MODERATE INCOME
31 CENSUS TRACT, AS DESIGNATED FROM TIME TO TIME BY THE U.S.

1 DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AND IN WHICH AT
2 LEAST 51% OF THE PERSONS LIVING IN THE TRACT ARE IN HOUSEHOLDS
3 EARNING 80% OR LESS OF THE AREA MEDIAN INCOME.

4 2. A HOMEOWNER RESIDING WITHIN A LOW OR
5 MODERATE INCOME CENSUS TRACT AS DESCRIBED UNDER SUBSUBPARAGRAPH
6 1 OF THIS SUBPARAGRAPH WHEN THE HOMEOWNER SUBMITS AN APPLICATION
7 UNDER PARAGRAPH (3) OF THIS SUBSECTION SHALL REMAIN ELIGIBLE FOR THE
8 INCREASED CREDIT UNDER THIS SUBPARAGRAPH EVEN IF THE CENSUS TRACT
9 CHANGES FOLLOWING THE DATE OF APPLICATION AND THE HOMEOWNER
10 WOULD OTHERWISE BE INELIGIBLE FOR THE INCREASED CREDIT DURING THE
11 5-YEAR PERIOD.

12 3. THE DIRECTOR MAY ESTABLISH ADDITIONAL
13 CRITERIA NECESSARY TO CARRY OUT THIS SUBPARAGRAPH.

14 (5) A HOMEOWNER MAY NOT RECEIVE THE CREDIT UNDER THIS
15 SUBSECTION, OR A PORTION OF THE CREDIT, IF, IN ANY YEAR, THE
16 APPLICATION OF THE CREDIT, OR A PORTION OF THE CREDIT, WOULD REDUCE
17 THE HOMEOWNER'S PROPERTY TAX LIABILITY BELOW THE HOMEOWNER'S
18 PROPERTY TAX LIABILITY FOR THE DWELLING PREVIOUSLY OCCUPIED BY THE
19 HOMEOWNER.

20 (6) IN ANY YEAR IN WHICH A HOMEOWNER RECEIVES A CREDIT
21 UNDER THIS SUBSECTION, THE HOMEOWNER MAY NOT RECEIVE:

22 (I) THE LOCAL PORTION OF THE CREDIT UNDER § 9-105 OF
23 THIS TITLE; OR

24 (II) ANY OTHER PROPERTY TAX CREDIT PROVIDED BY
25 BALTIMORE CITY.

26 (7) THE CREDIT UNDER THIS SUBSECTION MAY NOT BE
27 TRANSFERRED TO:

28 (I) A PERSON WHO PURCHASES A DWELLING FROM A
29 HOMEOWNER WHO RECEIVED THE CREDIT UNDER THIS SUBSECTION; OR

30 (II) A DWELLING THAT IS SUBSEQUENTLY PURCHASED BY A
31 HOMEOWNER WHO RECEIVED THE CREDIT UNDER THIS SUBSECTION.

32 (8) AFTER THE TERMINATION OF THE CREDIT UNDER THIS
33 SUBSECTION, A HOMEOWNER IS ENTITLED TO THE LOCAL PORTION OF THE
34 CREDIT UNDER § 9-105 OF THIS TITLE, WHICH SHALL BE CALCULATED:

1 (I) AS IF THE HOMEOWNER HAD RECEIVED THE CREDIT
2 UNDER § 9-105 OF THIS TITLE BEGINNING IN THE SECOND YEAR THE
3 HOMEOWNER OCCUPIED THE DWELLING; AND

4 (II) BASED ON THE FULL ASSESSED VALUE OF THE
5 DWELLING IN EACH YEAR THE HOMEOWNER RECEIVED THE CREDIT UNDER THIS
6 SUBSECTION.

7 (9) (I) BALTIMORE CITY SHALL ALLOCATE NO MORE THAN
8 \$3,000,000 FOR EACH YEAR THAT APPLICATIONS FOR THE CREDIT UNDER THIS
9 SUBSECTION ARE ACCEPTED TO PAY:

10 1. THE TOTAL COST OF THE CREDITS FOR THE
11 APPROVED APPLICANTS DURING THE YEAR FOR THE ENTIRE PERIOD DURING
12 WHICH THE APPLICANTS WILL RECEIVE THE CREDIT; AND

13 2. THE COST OF ADMINISTERING THE CREDIT BY
14 THE DEPARTMENT OF FINANCE OF BALTIMORE CITY.

15 (II) THE DIRECTOR SHALL REVIEW AND APPROVE
16 APPLICATIONS FOR THE CREDIT UNDER THIS SUBSECTION BASED ON:

17 1. THE DATE THE APPLICATION WAS RECEIVED; AND

18 2. THE AVAILABILITY OF THE FUNDS ALLOCATED
19 FOR THE CREDIT UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH.

20 (10) THE DEPARTMENT OF FINANCE OF BALTIMORE CITY MAY
21 ADOPT REGULATIONS AS NECESSARY TO CARRY OUT THIS SUBSECTION.

22 SECTION 2. AND BE IT FURTHER ENACTED, That the Department of
23 Finance of Baltimore City shall evaluate the efficacy of the credit established by this
24 Act and submit a report of its findings and recommendations on or before December
25 31, 2018, and December 31, 2020, to the Mayor and City Council of Baltimore City
26 and, in accordance with § 2-1246 of the State Government Article, the Baltimore City
27 House Delegation, the Baltimore City Senators, the Senate Budget and Taxation
28 Committee, and the House Committee on Ways and Means.

29 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
30 June 1, 2014. It shall remain effective for a period of 10 years and 1 month and, at the
31 end of June 30, 2024, with no further action required by the General Assembly, this
32 Act shall be abrogated and of no further force and effect.