

Department of Legislative Services
 Maryland General Assembly
 2014 Session

FISCAL AND POLICY NOTE
 Revised

Senate Bill 354

(Senator Muse, *et al.*)

Budget and Taxation

Ways and Means

Maryland Renters Tax Credit Program - Marketing Campaign

This bill requires the State Department of Assessments and Taxation (SDAT) to establish a marketing campaign to promote the Maryland Renters' Tax Credit Program in high poverty areas throughout the State. SDAT must report to the General Assembly on the promotion of the program. The bill also encourages Prince George's County to establish a local program to provide additional rent relief to low-income residents.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: General fund expenditures increase by \$100,000 in FY 2015. Revenues are not affected.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	100,000	0	0	0	0
Net Effect	(\$100,000)	\$0	\$0	\$0	\$0

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

Local Effect: Prince George's County expenditures may increase by approximately \$895,000 in FY 2015. Revenues are not affected.

Small Business Effect: None.

Analysis

Current Law/Background: The Renters' 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. **Exhibit 1** shows the major provisions of the Renters' Tax Credit Program.

Exhibit 1 Major Provisions of Renters' Tax Credit Program

Assumed Real Property Tax	• 15% of the occupancy rent paid
Calculation Formula	• 0% of the 1st \$4,000 of combined income • 2.5% of the 2nd \$4,000 of combined income • 5.5% of the 3rd \$4,000 of combined income • 7.5% of the 4th \$4,000 of combined income • 9% of the combined income over \$16,000
Maximum Renters' Tax Relief	\$750

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 maximum credit of \$750.

The formula to calculate the credit has been altered several 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.

Exhibit 2 shows the number of individuals qualifying for the program and the total cost of the program since fiscal 2005, as referenced in the State budget.

Exhibit 2
Renters' Tax Credit Program
Fiscal 2005-2015

<u>Fiscal Year</u>	<u>Eligible Applications</u>	<u>State Funding</u>	<u>Average Payment</u>
2005	11,111	\$3.3 million	\$294
2006	10,628	2.6 million	248
2007	10,491	2.5 million	235
2008	9,333	2.5 million	263
2009	9,511	2.2 million	234
2010	9,646	2.7 million	284
2011	8,388	2.4 million	291
2012	8,316	2.7 million	321
2013	8,249	2.4 million	294
2014 Estimate	8,300	2.4 million	289
2015 Estimate	8,549	2.4 million	281

Source: Department of Budget and Management

State Fiscal Effect: The bill requires SDAT to establish a marketing campaign to promote the use of the tax credit. As a result, general fund expenditures increase by \$100,000 in fiscal 2015.

Local Fiscal Effect: The bill encourages Prince George's County to establish a local program to provide additional rent relief to low-income residents and indicates that the county may use \$894,850 to provide the additional relief. As a result, Prince George's County expenditures may increase by approximately \$895,000, which includes \$51,000 in administrative costs. The local program and funding amount is based on a proposal that would provide 2,411 renters with a one-time grant of \$350. Under one scenario, the proposed grant would be prorated based on a minimum of 30% of income paid for rent up to a maximum of 50% of income expenditures paid for rent. Potential eligibility guidelines include:

- county residents age 62 and over;
- rent must be 30% or more above the gross household income;

- reside in senior housing that is not subsidized for low-income or public housing;
- over the income limit for the Renters' Tax Credit;
- paid rent at the current address for a minimum of six months;
- must submit a lease with the applicant listed as the primary name;
- must have a picture identification which includes an address that matches the lease;
- must have a gross annual income verification;
- must have verification of annual assets;
- other residents limited to spouse or resident 62 and over; and
- only one credit per household.

Additional Information

Prior Introductions: None.

Cross File: HB 681 (Delegate Carter) – Ways and Means.

Information Source(s): Prince George's County, State Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2014
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