

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader - Revised

House Bill 1472
Ways and Means

(Delegate Jalisi, *et al.*)

Baltimore County - Property Tax - Credit for Individuals at Least 65 Years Old

This bill requires Baltimore County to grant a property tax credit to homeowners who are at least 65 years old and qualify to receive either the State homeowners' property tax credit or the Baltimore County local homeowners' property tax credit supplement, under specified circumstances. The amount of the property tax credit is equal to 50% of the amount of the combined tax credits received from the State homeowners' property tax credit and the Baltimore County local homeowners' property tax credit supplement.

The bill takes effect June 1, 2017, and applies to taxable years beginning after June 30, 2017.

Fiscal Summary

State Effect: None. The State Department of Assessments and Taxation (SDAT) can administer the tax credit with existing budgeted resources.

Local Effect: Baltimore County property tax revenues decrease by approximately \$1.3 million annually beginning in FY 2018. County expenditures are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: A homeowner is eligible for the tax credit proposed by the bill if (1) the homeowner, in the application for either the State homeowners' property tax credit or the Baltimore County homeowners' property tax credit supplement demonstrates that at least

one individual who owns and resides in the dwelling is at least 65 years old; (2) the homeowner has resided in the dwelling for the preceding 10 years; and (3) the combined income of the homeowner does not exceed 150% of the federal poverty level.

SDAT is responsible for the administrative duties that relate to the application and determination of eligibility for the property tax credit. Neither SDAT nor Baltimore County may require a homeowner to file a separate application in order to receive the property tax credit. Baltimore County must reimburse SDAT for the reasonable cost of administering the property tax credit. Baltimore County may provide, by law, for regulations and procedures for the application and uniform processing of requests for the tax credit.

Current Law: Baltimore County provides a local supplement to the State homeowners' property tax credit program. The maximum assessment against which the county's existing supplemental homeowners' property tax credit may be granted is \$300,000. To be eligible for the tax credit, a homeowner's combined net worth may not exceed \$200,000, and combined income may not exceed \$60,000.

Background: The homeowners' property tax credit program is a State-funded program that 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 fiscal 2018 State budget includes \$60.0 million in funding for the program. Approximately 50,000 individuals are expected to benefit from the program in fiscal 2018. **Appendix – Homeowners' Property Tax Credit Program** provides a brief description of the program and recent legislative changes.

Data collected by the Department of Legislative Services in 2016 indicates that Baltimore County granted 7,762 homeowners approximately \$1.2 million in local property tax credits in fiscal 2016.

Similar Property Tax Credits for Elderly Individuals

Local governments are authorized to grant a property 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 65 years old and of limited income. Local governments are 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.

Data collected by the Department of Legislative Services during 2016 indicates the following counties have enacted the local property tax credit for individuals who are at

least 65 years old and of limited income – Charles, Dorchester, Frederick, Howard, Montgomery, and Queen Anne’s. For fiscal 2016, 6,284 taxpayers claimed approximately \$2.0 million in county property tax credits as illustrated in **Exhibit 1**.

Exhibit 1
Property Tax Credit for Senior Citizens of Limited Income
Fiscal 2016

<u>County</u>	<u>Number</u> <u>Claiming</u>	<u>Amount</u> <u>Claimed</u>
Charles	400	\$299,151
Dorchester	119	7,733
Frederick	2,222	605,478
Howard	735	500,657
Montgomery	2,808	605,832
Queen Anne’s	0	0
Total	6,284	\$2,018,851

Source: Department of Legislative Services

Local Fiscal Effect: Baltimore County property tax revenues decrease by approximately \$1.3 million annually beginning in fiscal 2018. This estimate is based on the following facts and assumptions:

- 6,093 homeowners in Baltimore County received \$6.7 million in tax credits through the State homeowners’ property tax credit program in fiscal 2016;
 - 7,762 homeowners in Baltimore County received \$1.2 million in tax credits through the county supplemental homeowners’ property tax credit program in fiscal 2016;
 - 75% of current program recipients are age 65 and older;
 - 50% of senior households have income at or below 150% of the federal poverty level;
 - 90% of senior program recipients have resided in the dwelling for the preceding 10 years; and
 - the amount of State and local homeowners’ property tax credits remains constant in future years.
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Additional Information

Prior Introductions: None.

Cross File: SB 985 (Senator Nathan-Pulliam) - Budget and Taxation.

Information Source(s): Baltimore County; State Department of Assessments and Taxation; U.S. Census Bureau; Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2017
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Appendix – Homeowners’ Property Tax Credit Program

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 2005, as referenced in the State budget.

Exhibit 1 Homeowners’ Property Tax Credit Program Fiscal 2005-2018

<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	894
2007 Actual	48,290	45.6 million	944
2008 Actual	46,618	45.2 million	970
2009 Actual	47,781	50.3 million	1,053
2010 Actual	48,737	53.4 million	1,096
2011 Actual	49,224	58.0 million	1,179
2012 Actual	52,594	62.6 million	1,190
2013 Actual	53,196	62.6 million	1,177
2014 Actual	50,872	61.6 million	1,218
2015 Actual	48,713	59.5 million	1,221
2016 Actual	47,288	58.4 million	1,235
2017 Estimated	48,154	59.9 million	1,244
2018 Estimated	49,599	60.0 million	1,210

Source: Department of Budget and Management

Chapter 27 of 2006 made several significant changes to the Homeowners’ Property Tax Credit Program: the maximum assessment against which the credit may be granted was increased to \$300,000 from \$150,000; and the percentages used to determine the amount of the tax credit were altered.

Chapter 588 of 2005 altered the calculation of total real property tax for the Homeowners’ Property Tax Credit Program by subtracting the homestead tax credit amount from the total
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assessment rather than the maximum assessment specified under the credit. Chapter 588 also specified additional eligibility criteria for the local supplement to the Homeowners' Property Tax Credit Program by authorizing a local jurisdiction to alter the \$200,000 limitation on a homeowner's net worth for eligibility for a local supplement to the Homeowners' Property Tax Credit Program.

Since fiscal 1992, the counties and Baltimore City have been authorized to grant a local supplement to the Homeowners' Property Tax Credit Program. SDAT administers a local supplement granted by a county, but the cost of a local supplement is borne by the local government. For purposes of the local supplement, the counties are authorized to alter the maximum on the assessed value taken into account in calculating the credit, as well as the percentages and income levels specified in the tax limit formula. The counties are also authorized to impose limitations on eligibility for a local supplement in addition to the requirements specified for the State credit. Baltimore City and thirteen counties – Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Charles, Frederick, Garrett, Harford, Howard, Kent, Montgomery, and Washington – have a local homeowners' property tax credit supplement program that is administered by SDAT. Data collected by the Department of Legislative Services in 2016 indicates that these jurisdictions granted approximately 19,600 homeowners approximately \$8.1 million in local property tax credits in fiscal 2016, as shown in **Exhibit 2**.

Exhibit 2
Homeowners' Property Tax Credit Program – Local Supplement
Fiscal 2016

County	Number Claiming	Amount Claimed
Anne Arundel	3,521	\$1,142,096
Baltimore City	0	\$0
Baltimore	7,762	1,162,704
Calvert	0	0
Caroline	644	161,048
Carroll	n.a.	13,618
Charles	1,123	938,706
Frederick	0	0
Garrett	441	40,809
Harford	0	0
Howard	179	38,910
Kent	360	222,422
Montgomery	4,747	4,097,149
Washington	850	280,000
Total	19,627	\$8,097,462

Source: Department of Legislative Services

Municipalities are also authorized to provide a supplement to the Homeowners' Property Tax Credit Program. Under the enabling authority for municipalities, a municipal supplement is limited to 50% of the State credit.

Chapter 444 of 2006 altered the calculation and eligibility criteria of the municipal supplement to make it consistent with the current calculation and eligibility criteria authorized under the county supplement program. Chapter 444 also altered the amount of a supplemental municipal credit that may be granted by repealing the limitation that a municipal supplement may not exceed 50% of the Homeowners' Property Tax Credit. SDAT administers municipal homeowners' property tax credit supplement programs in the cities of Gaithersburg, Rockville, Bowie, College Park, Greenbelt, Hyattsville, and Mount Rainier.