By: Delegate Long
Introduced and read first time: February 9, 2018
Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 Homestead Property Tax Credit – Calculation of Credit for Dwelling Purchased
   by First-Time Homeowner

3 FOR the purpose of allowing a first–time homeowner in the State to calculate the
   homestead property tax credit using a certain method; requiring that the credit for
   a property that includes a newly purchased dwelling be calculated in a certain
   manner; providing that a certain homeowner receive the larger of the homestead
   property tax credit amounts as calculated using certain methods; making a
   conforming change; defining a certain term; providing for the application of this Act;
   and generally relating to the homestead property tax credit.

11 BY repealing and reenacting, without amendments,
12 Article – Tax – Property
13 Section 9–105(a)(1), (5), (7), and (9) and (b)
14 Annotated Code of Maryland
15 (2012 Replacement Volume and 2017 Supplement)

16 BY repealing and reenacting, with amendments,
17 Article – Tax – Property
18 Section 9–105(e)(1) and (2)
19 Annotated Code of Maryland
20 (2012 Replacement Volume and 2017 Supplement)

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

23 Article – Tax – Property

24 9–105.

25 (a) (1) In this section the following words have the meanings indicated.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.
“Dwelling” means:

1. a house that is:
   A. used as the principal residence of the homeowner; and
   B. actually occupied or expected to be actually occupied by the homeowner for more than 6 months of a 12–month period beginning with the date of finality for the taxable year for which the property tax credit under this section is sought; and

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

“Dwelling” includes:

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

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

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

“Homeowner” means an individual who has a legal interest in a dwelling or who is an active member of an agricultural ownership entity that has a legal interest in a dwelling.

“Taxable assessment” means the assessment on which the property tax rate was imposed in the preceding taxable year, adjusted by the phased–in assessment increase resulting from a revaluation under § 8–104(c)(1)(iii) of this article, less the amount of any assessment on which a property tax credit under this section is authorized.

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

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

(e) (1) (I) [For] EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH, FOR each taxable year, the property tax credit under this section is
calculated by:

[(i)] 1. multiplying the prior year's taxable assessment by the homestead credit percentage as provided under paragraph (2) of this subsection;

[(ii)] 2. subtracting that amount from the current year's assessment; and

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

(II) 1. This subparagraph applies only if a dwelling was transferred for consideration to new ownership and the new homeowner is a first-time homebuyer in the State.

2. In this subparagraph, “homestead credit carryover amount” means the difference between the most recent taxable assessment of a dwelling before the transfer of the dwelling to a new homeowner and the assessment that would have applied to the dwelling absent the credit calculated under subparagraph (i) of this paragraph.

3. A. A homeowner who is a first-time homebuyer in the State may calculate under this subparagraph the amount of the credit required under subsection (b) of this section.

B. The property tax credit under this subparagraph is calculated by multiplying the homestead credit carryover amount by the applicable property tax rate for the current year for the homeowner’s property.

C. The homestead credit carryover amount used to calculate the credit shall be reduced by 20% each year beginning in the second year a homeowner receives the credit as calculated under this subparagraph.

D. The credit required under subsection (b) of this section is equal to the greater of either the credit calculated under this subparagraph or the credit calculated under subparagraph (i) of this paragraph.

(2) For each taxable year, the homestead credit percentage under paragraph [(1)(i)] (1)(i) of this subsection is:
(i) for the State property tax and for any property tax imposed for a bicounty commission, 110%;

(ii) for the county property tax:

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

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

(iii) for the municipal corporation property tax:

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

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

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2018, and shall be applicable to all taxable years beginning after June 30, 2018.