

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 990
Ways and Means

(Delegate McMillan, *et al.*)

Budget and Taxation

Homestead Property Tax Credit - Notification on Acquisition of Property

This bill requires the State Department of Assessments and Taxation (SDAT) to mail to each individual who acquires residential real property, and who indicates in the land records that the property will be their principal residence, a notice informing the individual that the individual may be eligible for the homestead property tax credit. The notice must be sent within a reasonable amount of time after the acquisition of the property and contain information on how to apply for the tax credit. The department must ensure that the information that it provides is accurate and up to date. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: None. The bill codifies current practice.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: SDAT must notify homeowners of the possibility of receiving the homestead property tax credit.

SDAT advises that the department mails notices regarding eligibility for the homestead property tax credit to homeowners who acquire residential real property by recorded deed and indicate that the property will be their principal residence on the property intake sheet.

Background: The Homestead Property Tax Credit Program (assessment caps) provides tax credits against State, county, and municipal real property taxes for owner-occupied residential properties for the amount of real property taxes resulting from an annual assessment increase that exceeds a certain percentage or “cap” in any given year. The State requires the cap on assessment increases to be set at 10% for State property tax purposes; however, local governments have the authority to set their caps between 0% and 10%.

A majority of local subdivisions have assessment caps below 10%: 21 counties in fiscal 2017, 2018, and 2019. **Exhibit 1** lists county assessment caps for fiscal 2017 through 2019.

Exhibit 1
County Assessment Caps

County	FY 2017	FY 2018	FY 2019
Allegany	7%	4%	4%
Anne Arundel	2%	2%	2%
Baltimore City	4%	4%	4%
Baltimore	4%	4%	4%
Calvert	10%	10%	10%
Caroline	5%	5%	5%
Carroll	5%	5%	5%
Cecil	4%	4%	4%
Charles	7%	7%	7%
Dorchester	5%	5%	5%
Frederick	5%	5%	5%
Garrett	5%	5%	5%
Harford	5%	5%	5%
Howard	5%	5%	5%
Kent	5%	5%	5%
Montgomery	10%	10%	10%
Prince George’s	0%	1%	2%
Queen Anne’s	5%	5%	5%
St. Mary’s	5%	5%	5%
Somerset	10%	10%	10%
Talbot	0%	0%	0%
Washington	5%	5%	5%
Wicomico	5%	5%	5%
Worcester	3%	3%	3%

Source: State Department of Assessments and Taxation; Department of Legislative Services

Since its inception in 1977, the fundamental purpose of the homestead property tax credit has been to limit the amount of property taxes paid by a residential homeowner due to property tax assessment increases. The credit was designed to provide a cumulative or year-over-year protection to longtime homeowners against significant appreciations in property values. Increases in the number of recipients and the inability to verify eligibility during the early part of the 2000s prompted concern over potential abuses or fraud. In response to this concern, Chapters 564 and 565 of 2007 were enacted to require homeowners to apply to SDAT for the credit. No longer is the credit automatically applied against owners' assessments.

In fiscal 2016, there were 56,852 sales of owner-occupied residential property.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Property Tax Assessment Appeals Board; State Department of Assessments and Taxation; Department of Legislative Services

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