

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 451 (Delegate Long)
Ways and Means

Baltimore County - Property Tax - Homeowners Property Tax Credit
Supplement

This bill requires Baltimore County to grant a property tax credit to supplement the State homeowners' property tax credit. **The bill takes effect June 1, 2020, and applies to taxable years beginning after June 30, 2020.**

Fiscal Summary

State Effect: The State Department of Assessments and Taxation (SDAT) currently administers Baltimore County's supplemental Homeowners' Property Tax Credit Program and can administer the tax credit required by the bill with existing budget resources.

Local Effect: Significant increase in Baltimore County expenditures beginning in FY 2021. Based on one set of assumptions, Baltimore County expenditures may increase by approximately \$4.9 million annually. Revenues are not affected. **The bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The bill requires Baltimore County to grant a property tax credit to supplement the State homeowners' property tax credit. The property tax credit is equal to the total real property tax of the dwelling, less specified percentages of the combined income of the homeowner. The maximum assessment against which the 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 \$72,000. The percentages applied to the combined income that are used to calculate the amount of the property tax credit are (1) 0% of the first \$18,000 of combined income; (2) 6.5% of the next \$4,000 of combined income; and (3) 9% of the combined income over \$22,000.

SDAT is required to administer the county supplemental property tax credit, and Baltimore County must reimburse the department for any administrative expenses.

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. The percentages applied to the combined income that are used to calculate the amount of the property tax credit are (1) 0% of the first \$4,000 of combined income; (2) 0% of the second \$4,000 of combined income; (3) 0% of the third \$4,000 of combined income; (4) 6.5% of the fourth \$4,000 of combined income; and (5) 9% of the combined income over \$16,000.

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 2021 State budget includes \$66.5 million in funding for the program. Approximately 45,000 homeowners are expected to benefit from the program in fiscal 2021. **Appendix – Homeowners' Property Tax Credit Program** provides a brief description of the program and recent legislative changes.

Baltimore County granted 7,610 homeowners approximately \$1.3 million in local supplemental property tax credits in fiscal 2019. Baltimore County currently caps the amount of the credit at \$160 per recipient.

Local Fiscal Effect: Baltimore County expenditures for the supplemental homeowners' property tax credit increase by a significant amount beginning in fiscal 2021. Part of this increase is due to existing recipients receiving a larger credit, which results from the changes in the percentage of combined income used to determine the tax credit amount. In addition, the bill will expand program eligibility to new individuals by raising the combined gross income limit from \$60,000 under current law to \$72,000. Based on the following information, Baltimore County expenditures could increase by approximately \$4.9 million annually.

Percentage of Combined Income

Due to the change in the percentages of combined income used to determine the tax credit amount, the maximum local credit amount per recipient increases from \$160 under current law to \$700. The actual impact will depend on the combined income level of individuals.

There would be no effect on individuals with a combined income of \$12,000 or less; their local supplement would remain the same under the bill. Individuals with combined incomes of between \$12,000 and \$16,000 would receive an additional \$260 under the bill. Individuals with combined incomes of between \$16,000 and \$18,000 would receive an additional \$440 under the bill. Individuals with combined incomes exceeding \$18,000 would receive an additional \$540 under the bill. Based on income data from the U.S. Census Bureau, most households in Baltimore County have income levels exceeding \$12,000.

With 7,600 individuals currently receiving the county supplemental credit and a maximum credit enhancement of \$540 per recipient, Baltimore County expenditures could increase by approximately \$4.1 million annually.

Combined Gross Income Limit

Due to the increase in the combined gross income limit, additional individuals may become eligible for the county supplemental credit. Based on income data from the U.S. Census Bureau, approximately 40% of households in Baltimore County have income levels below \$60,000. Expanding eligibility to include households with income levels of up to \$72,000 may result in an additional 1,500 individuals receiving the county supplemental credit. This could increase Baltimore County expenditures by an additional \$810,000 annually.

Additional Information

Prior Introductions: HB 887 of 2019 received a hearing in the House Ways and Means Committee, but no further action was taken. HB 583 of 2018 received a hearing in the House Ways and Means Committee, but no further action was taken. Its cross file, SB 815 received an unfavorable report from the Senate Budget and Taxation Committee. HB 751 of 2017 received a hearing in the House Ways and Means Committee but was subsequently withdrawn.

Designated Cross File: None.

Information Source(s): Baltimore County; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 5, 2020
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Appendix – Homeowners’ Property Tax Credit Program

Current Law: The maximum assessment against which the 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. Total real property tax is the product of the sum of all property tax rates on real property, including special district tax rates, for the taxable year on a dwelling multiplied by the lesser of \$300,000 or the assessed value of the dwelling reduced by the amount of the homestead property tax credit.

The percentages applied to the combined income that are used to calculate the amount of the property tax credit are (1) 0% of the first \$8,000 of combined income; (2) 4% of the next \$4,000 of combined income; (3) 6.5% of the next \$4,000 of combined income; and (4) 9% of the combined income over \$16,000.

Background: 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.

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 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.

Exhibit 1
Homeowners' Property Tax Credit Program
Fiscal 2005-2021

<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	46,751	58.4 million	1,249
2017 Actual	45,964	54.2 million	1,301
2018 Actual	46,682	58.1 million	1,322
2019 Actual	50,623	65.5 million	1,294
2020 Estimated	52,776	66.5 million	1,260
2021 Estimated	45,000	66.5 million	1,478

Source: Department of Budget and Management

Since fiscal 1992, the counties and Baltimore City have been authorized to grant a local supplement to the Homeowners' Property Tax Credit Program. The State Department of Assessments and Taxation (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 13 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. Based on data collected by the Department of Legislative Services

in 2016, these jurisdictions granted approximately 19,600 homeowners with \$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. SDAT administers municipal homeowners' property tax credit supplement programs in the cities of Bowie, College Park, Frederick, Gaithersburg, Greenbelt, Hyattsville, and Rockville.