

Department of Legislative Services  
Maryland General Assembly  
2020 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

Senate Bill 417

(Senator Salling, *et al.*)

Budget and Taxation

Ways and Means

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Property Tax - Credit for Disabled Veterans

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This bill authorizes local governments to grant a property tax credit for the dwelling house of disabled veterans who meet certain eligibility requirements. Local governments are authorized to continue providing the property tax credit to the surviving spouse of the veteran. Local governments may provide for (1) the duration of the property tax credit; (2) regulations and procedures for the application and uniform processing of requests for the property tax credit; (3) the definition of surviving spouse and the amount and duration of the property tax credit for the surviving spouse; and (4) any other provision necessary to carry out the property tax credit. **The bill takes effect June 1, 2020, and applies to taxable years beginning after June 30, 2020.**

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Local property tax revenues decrease beginning in FY 2021 to the extent the property tax credit is granted. Under one set of assumptions, local property tax revenues decrease by approximately \$10.7 million annually. This estimate assumes that each county and municipality grants the property tax credit. Local expenditures are not affected.

**Small Business Effect:** None.

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Analysis

**Bill Summary:** The bill authorizes local governments (Baltimore City, counties, and municipalities) to grant a property tax credit against the county or municipal property tax imposed on a dwelling house of a disabled veteran. In order to qualify for the property tax

credit, the disabled veteran's federal adjusted gross income for the immediately preceding taxable year cannot exceed \$100,000. Local governments are authorized to continue providing the property tax credit to the surviving spouse of the veteran. The amount of the property tax credit is based on the disabled veteran's level of service-connected disability.

The property tax credit is equal to:

- 50% of the county or municipal property tax for a service-connected disability rating of at least 75% but not more than 99%; or
- 25% of the county or municipal property tax for a service-connected disability rating of at least 50% but not more than 74%.

A disabled veteran must apply for the property tax credit by providing to the county or municipality (1) a copy of the disabled veteran's discharge certificate from active military, naval, or air service and (2) a certification of the disabled veteran's disability from the Veterans Administration. The disabled veteran's certificate of disability may not be inspected by individuals other than the disabled veteran or appropriate employees of the county or municipality.

A disabled veteran is defined as an individual who (1) is honorably discharged or released under honorable circumstances from active military, naval, or air service as defined in 38 U.S.C. § 101 and (2) has been declared by the Veterans Administration to have a permanent service-connected disability of at least 50% that results from blindness or any other disabling cause that is reasonably certain to continue for the life of the veteran and was not caused or incurred by misconduct of the veteran.

A dwelling house is defined as real property that is (1) the legal residence of a disabled veteran and is not occupied by more than two families and (2) includes the lot or curtilage and structures necessary to use the real property as a residence.

**Current Law:** The real property owned by disabled veterans, as their legal residence, is exempt from taxation, if specified requirements are met. A disabled veteran is an individual who is honorably discharged or released under honorable circumstances from active service in any branch of the U.S. Armed Forces. To qualify for the tax exemption, the disabled veteran must have a 100% service connected disability rating. Real property owned by the surviving spouse of a disabled veteran and the surviving spouse of an individual who died in the line of duty while in active military, naval, or air service of the United States is exempt from taxation. In addition, a home owned by the surviving spouse of a veteran of the U.S. Armed Forces who receives Dependency and Indemnity Compensation from the U.S. Department of Veterans Affairs is eligible for a property tax exemption under specified circumstances.

## *Fiscal Impact of Existing Property Tax Exemptions for Disabled Veterans*

For fiscal 2020, 12,386 property owners received a property tax exemption for being a disabled veteran, a surviving spouse, or a disabled active duty service member, and the assessment for these properties was approximately \$4.1 billion. The associated State revenue loss from these exemptions total approximately \$4.6 million, based on a \$0.112 State property tax rate. All State property tax revenues are credited to a special fund, the Annuity Bond Fund, dedicated exclusively to paying the debt service on State general obligation bonds. Local governments generally have the authority to set their own property tax rates. Based on the average combined county-municipal property tax rate, the projected local revenue loss from the current exemption could total approximately \$50 million.

**Local Fiscal Effect:** Local property tax revenues decrease beginning in fiscal 2021 to the extent the property tax credit is granted. The amount of the decrease depends on the number of eligible disabled veterans who receive the property tax credit and the amount of the property tax credit received. Under one set of assumptions, local property tax revenues may decrease by approximately \$10.7 million annually beginning in fiscal 2021. The estimate is based on the following:

- 380,600 veterans living in Maryland;
- 18.6% of veterans have a service-connected disability rating, with 7.4% having a disability rating of 50% or higher and 5% having a disability rating of 70% or higher;
- 12,386 property owners currently receive a property tax exemption for being a disabled veteran, a surviving spouse, or a disabled active duty service member;
- under current law, a disabled veteran must have a 100% service connected disability rating to receive the property tax exemption;
- the average county taxable assessment for residential property is \$221,900;
- the average combined county-municipal property tax rate is \$1.267 per \$100 of assessment; and
- 67.5% homeownership rate.

### *Responses from Local Governments*

Baltimore City estimates that city property tax revenues may decrease by approximately \$1.4 million annually to the extent the property tax credit is enacted, based on the estimated number of veterans living in the city and average residential assessments and property tax rates.

Harford County estimates that county property tax revenues may decrease by approximately \$2.5 million annually to the extent the property tax credit is enacted, based on the estimated number of veterans living in the county and average residential assessments and property tax rates. In addition, the county personnel could incur increased workload to administer the property tax credit. The county estimates that these expenditures would total approximately \$33,000 annually.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 257 (Delegate Crosby, *et al.*) - Ways and Means.

**Information Source(s):** Baltimore City; Harford and Talbot counties; Maryland Association of Counties; City of College Park; State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 5, 2020  
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