

Chapter 333

(House Bill 610)

AN ACT concerning

Homeowners' and Homestead Property Tax Credit Credits – Transfer of Dwelling to Eligibility of Surviving Family Member and Access

FOR the purpose of requiring a contract for the sale of residential property to include certain information concerning the homestead property tax credit; altering eligibility for a certain homeowners' property tax credit to include certain surviving family members of a homeowner who stand to inherit the dwelling of the homeowner or are granted a life estate in the dwelling under certain circumstances; altering the individuals to whom the State Department of Assessments and Taxation is required to mail a certain notice concerning the homestead property tax credit; requiring the Department to design a certain document concerning the homestead property tax credit that must be presented to the buyer of residential property at the settlement for the property by the person conducting the settlement; requiring the document to include certain information; requiring the Department to make the document available on its website in a certain manner; requiring the Department to contract with a usability consultant on or before a certain date to review all the public informational materials and forms produced by the Department concerning the homestead and homeowners' tax credits; requiring the consultant to make certain recommendations to the Department on or before a certain date regarding ways the Department's public informational materials and forms concerning the homestead and homeowners' property tax credits could be made more usable; requiring the Department to submit a certain report to certain committees of the General Assembly on or before a certain date; requiring the Department and the Comptroller to collaborate with the Committee on Ways and Means and the Budget and Taxation Committee during a certain time period on a study of certain matters concerning the homeowners' property tax credit; altering a certain definition; defining a certain term; ~~making stylistic and conforming changes~~; providing for the application of this Act; and generally relating to the homeowners' and homestead property tax ~~credit credits~~.

BY adding toArticle – Real PropertySection 14–117(n)Annotated Code of Maryland(2015 Replacement Volume and 2020 Supplement)

BY repealing and reenacting, without amendments,

Article – Tax – Property

Section 9–104(a)(1), (6), and (9)

Annotated Code of Maryland

(2019 Replacement Volume and 2020 Supplement)

BY repealing and reenacting, with amendments,

Article – Tax – Property

Section ~~9–104(i) and (j)(1)~~ 9–104(a)(11) and (13) and 9–105(f)

Annotated Code of Maryland

(2019 Replacement Volume and 2020 Supplement)

BY adding to

Article – Tax – Property

Section 9–104(a)(13)

Annotated Code of Maryland

(2019 Replacement Volume and 2020 Supplement)

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

Article – Real Property

14–117.

(N) A CONTRACT FOR THE SALE OF RESIDENTIAL PROPERTY SHALL INCLUDE:

(1) THE STATEMENT “IF YOU PLAN TO LIVE IN THIS HOME AS YOUR PRINCIPAL RESIDENCE, YOU MAY QUALIFY FOR THE HOMESTEAD PROPERTY TAX CREDIT. THE HOMESTEAD PROPERTY TAX CREDIT MAY SIGNIFICANTLY REDUCE THE AMOUNT OF PROPERTY TAXES YOU OWE.”; AND

(2) THE WEBSITE ADDRESS OF THE DOCUMENT REQUIRED UNDER § 9–105(F)(5) OF THE TAX – PROPERTY ARTICLE.

Article – Tax – Property

9–104.

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

(6) “Dwelling” means:

(i) for a homeowner who is not a home purchaser, a house that is:

1. used as the principal residence of a homeowner and the lot or curtilage on which the house is erected;

2. occupied by not more than 2 families; and

3. actually occupied or expected to be actually occupied by the homeowner for more than 6 months of a 12-month period, which actual or expected occupancy period shall include July 1 of the taxable year for which the property tax credit under this section is sought; or

(ii) for a homeowner who is a home purchaser, a house that is:

1. used as the principal residence of a homeowner and the lot or curtilage on which the house is erected;

2. occupied by not more than 2 families; and

3. actually occupied or expected to be actually occupied by the home purchaser for the remainder of the taxable year for which the property tax credit under this section is sought.

(9) (i) "Homeowner" means an individual who:

1. on July 1 of the taxable year for which the tax credit is to be allowed:

A. actually resides in a dwelling in which the individual has a legal interest; or

B. under a court order or separation agreement, permits a spouse, a former spouse, or a child of the individual's family to reside without payment of rent in a dwelling in which the individual has a legal interest; or

2. A. is a home purchaser; and

B. actually resides in a dwelling in which the individual has a legal interest, whether or not the individual resides in the dwelling on July 1 of the taxable year for which the tax credit is sought.

(ii) "Homeowner" includes a beneficiary of a trust described in 42 U.S.C. § 1396p(d)(4), or a trust established for the benefit of an individual with a disability by an individual other than the beneficiary and that is funded with assets that were never owned or controlled by the beneficiary, if, on July 1 of the taxable year for which the tax credit is to be allowed, the beneficiary of the trust is an individual who actually resides in the dwelling.

~~(1) IN THIS SUBSECTION, "FAMILY MEMBER" MEANS THE RELATIVE OF A HOMEOWNER BY BLOOD, ADOPTION, OR MARRIAGE.~~

~~(2) [If a surviving spouse of a homeowner has not remarried and meets the qualifications except for age or disability, the] THE property tax credit under this section~~

is available to ~~the unmarried~~;

~~(I) A surviving spouse OF A HOMEOWNER, IF THE SURVIVING SPOUSE HAS NOT REMARRIED AND MEETS THE QUALIFICATIONS FOR THE CREDIT, EXCEPT FOR AGE OR DISABILITY; OR~~

~~(II) A SURVIVING FAMILY MEMBER WHO MEETS THE QUALIFICATIONS FOR THE CREDIT, EXCEPT FOR AGE OR DISABILITY, IF OWNERSHIP OF OR A LIFE ESTATE IN THE DWELLING OF THE HOMEOWNER IS TRANSFERRED TO THE SURVIVING FAMILY MEMBER;~~

~~1. UNDER THE TERMS OF THE HOMEOWNER'S WILL OR TRUST OR A NONPROBATE INSTRUMENT OF WRITING; OR~~

~~2. UNDER THE LAWS OF INTESTATE SUCCESSION.~~

~~(e) (1) (I) Except [for transfers between spouses, including a conveyance to a surviving spouse from the personal representative of a deceased spouse] AS PROVIDED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH, if a homeowner transfers a dwelling that is subject to a property tax credit under this section, the property tax credit ends on the date that the property is transferred.~~

~~(II) The credit is not ended UNDER THIS PARAGRAPH if the transfer is between:~~

~~1. spouses, INCLUDING A CONVEYANCE TO A SURVIVING SPOUSE FROM THE PERSONAL REPRESENTATIVE OF A DECEASED SPOUSE; OR~~

~~2. A DECEASED HOMEOWNER AND A SURVIVING FAMILY MEMBER TO WHOM OWNERSHIP OF THE DWELLING IS TRANSFERRED AS PROVIDED UNDER SUBSECTION (I) OF THIS SECTION.~~

(11) "Legal interest" includes an interest in a dwelling:

- (i) as sole owner;
- (ii) as a joint tenant;
- (iii) as a tenant in common;
- (iv) as a tenant by the entireties;
- (v) through membership in a cooperative;

(vi) under a land installment contract, as defined in § 10–101 of the Real Property Article;

(vii) as a holder of a life estate; [or]

(viii) under a continuing care contract for an independent living unit at a continuing care facility for the aged, which means a nontransferable agreement between a continuing care facility for the aged as defined in § 7–206 of this article and an occupant of an independent living unit, which agreement provides that the occupant may reside in the unit until termination under the terms of the contract; OR

(IX) AS A SURVIVING FAMILY MEMBER WHO STANDS TO INHERIT THE DWELLING OF A DECEASED HOMEOWNER UNDER THE TERMS OF:

1. THE DECEASED HOMEOWNER’S WILL OR TRUST OR A NONPROBATE INSTRUMENT OF WRITING; OR

2. UNDER THE LAWS OF INTESTATE SUCCESSION.

(13) “SURVIVING FAMILY MEMBER” MEANS AN INDIVIDUAL RELATED TO A DECEASED HOMEOWNER BY BLOOD, ADOPTION, OR MARRIAGE.

~~[(13)]~~ (14) “Total real property tax” means 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:

(i) \$300,000; or

(ii) the assessed value of the dwelling reduced by the amount of any assessment on which a property tax credit is granted under § 9–105 of this subtitle.

9–105.

(f) (1) The Department shall give notice of the possible property tax credit under this section.

(2) In addition to any other notice the Department provides under this subsection, the Department shall:

(i) identify homeowners who may be eligible but have failed to apply for the property tax credit under this section; and

(ii) include a separate insert with each assessment notice sent under § 8–401 of this article to each homeowner identified under item (i) of this paragraph that informs the homeowner that the homeowner may be eligible for the property tax credit under this section and how to apply for the credit.

(3) In addition to any other notice the Department provides under this subsection, the Department shall mail a notice to each individual who acquires residential real property AND HAS NOT APPLIED FOR THE CREDIT UNDER THIS SECTION within a reasonable period of time after the individual:

(i) acquires the property by recorded deed; and

(ii) indicates that the property will be the individual's principal residence on the corresponding land instrument intake sheet described under § 3-104 of the Real Property Article.

(4) The notice required under paragraph (3) of this subsection shall:

(i) inform the individual that the individual may be eligible for the property tax credit under this section;

(ii) contain information on how to apply for the credit; and

(iii) inform the individual that the individual may apply to the Department to have the date of the deed accepted as the date of transfer of the property for purposes of the credit as provided in subsection (d)(5) of this section.

(5) (I) THE DEPARTMENT SHALL DESIGN A DOCUMENT CONCERNING THE CREDIT UNDER THIS SECTION THAT SHALL BE PRESENTED TO THE BUYER OF RESIDENTIAL PROPERTY AT THE SETTLEMENT FOR THE PROPERTY BY THE PERSON CONDUCTING THE SETTLEMENT.

(II) THE DOCUMENT UNDER THIS PARAGRAPH SHALL INCLUDE:

1. THE FOLLOWING STATEMENT IN CONSPICUOUS TYPE: "IF YOU PLAN TO LIVE IN THIS HOME AS YOUR PRINCIPAL RESIDENCE, YOU MAY QUALIFY FOR THE HOMESTEAD PROPERTY TAX CREDIT. THE HOMESTEAD PROPERTY TAX CREDIT MAY SIGNIFICANTLY REDUCE THE AMOUNT OF PROPERTY TAXES YOU OWE.";

2. INSTRUCTIONS ON HOW TO APPLY FOR THE CREDIT ONLINE; AND

3. A COMPLETE APPLICATION FOR THE CREDIT AND INSTRUCTIONS ON HOW TO SUBMIT THE PAPER APPLICATION TO THE DEPARTMENT.

(III) THE DEPARTMENT SHALL MAKE THE DOCUMENT UNDER THIS PARAGRAPH AVAILABLE ON ITS WEBSITE WHERE IT MAY BE EASILY ACCESSED BY PERSONS CONDUCTING SETTLEMENTS FOR RESIDENTIAL PROPERTY.

[(5)] (6) The Department shall ensure that the information it provides under this subsection is accurate and up-to-date.

SECTION 2. AND BE IT FURTHER ENACTED, That:

(a) On or before August 1, 2021, the State Department of Assessments and Taxation shall contract with a usability consultant to review all the public informational materials and forms produced by the Department concerning the homestead and homeowners' tax credits.

(b) (1) On or before December 1, 2021, the consultant shall make recommendations to the Department regarding ways the Department's public informational materials and forms concerning the homestead and homeowners' property tax credits could be made more usable, especially for socioeconomically diverse communities.

(2) The consultant shall make specific recommendations concerning:

(i) how the Department's website and other written materials could more clearly and effectively communicate information concerning the tax credits, including why it is important and beneficial for homeowners to apply;

(ii) how to simplify and clarify the applications for the credits and minimize errors by individuals completing the applications; and

(iii) the design of the document required under § 9-105(f)(5) of the Tax - Property Article as enacted by Section 1 of this Act.

(c) On or before February 1, 2022, the Department shall submit a report, in accordance with § 2-1257 of the State Government Article, to the Senate Budget and Taxation Committee and the House Committee on Ways and Means that includes:

(1) the recommendations submitted by the consultant under subsection (b) of this section; and

(2) the actions the Department has taken or plans to take to implement the recommendations.

SECTION 3. AND BE IT FURTHER ENACTED, That, during the 2021 legislative interim, the State Department of Assessments and Taxation and the Comptroller shall collaborate with the Committee on Ways and Means and the Budget and Taxation Committee on a study of:

(1) how to simplify the definition of "gross income" for purposes of the homeowners' property tax credit, such as by using Maryland adjusted gross income as calculated under the Tax - General Article, without increasing State expenditures by

changing how the amount of the credit is calculated under § 9-104(g) of the Tax – Property Article; and

(2) ways that the homeowners’ property tax credit could be made automatically renewable for recipients of the credit.

SECTION ~~2~~ 4. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2021, and shall be applicable to all taxable years beginning after June 30, 2021.

Approved by the Governor, May 18, 2021.