

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1289
Ways and Means

(Delegate Amprey)

Homestead Property Tax Credit - Notice Requirements and Application Waiver
for First-Time Homebuyers

This bill requires a specified written notice regarding the homestead property tax credit to be (1) included in a contract of sale of residential property to a first-time homebuyer who intends to occupy the property as their principal residence and (2) delivered to each homeowner within a one-mile radius at the time of the initial sale of a development containing more than 12 lots to be governed under the Maryland Homeowners Association (HOA) Act. The State Department of Assessments and Taxation (SDAT) must develop a single standardized form containing a statement that provides details, including eligibility requirements, for the homestead property tax credit. **The bill takes effect June 1, 2021.**

Fiscal Summary

State Effect: SDAT can develop the required form with existing resources. Revenues are not directly affected.

Local Effect: The bill does not directly affect local government finances or operations.

Small Business Effect: Minimal.

Analysis

Bill Summary: The statement required as part of a first-time homebuyer's contract must be dated and signed by the buyer and included in or attached to the contract. A vender of lots within a development that will be subject to an HOA must (1) in good faith make a reasonable effort to identify the individuals who should be provided the statement regarding the tax credit and (2) deliver the statement in a manner that produces a record of the delivery or attempted delivery. The bill specifies that existing statutory provisions that

require homeowners to send an application for the tax credit do not apply to first-time homebuyers. SDAT must develop a single standardized form that is available for the purposes as established in the bill.

Current Law: 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 lower the cap. A majority of local subdivisions have assessment caps below 10% in fiscal 2021, as shown in **Exhibit 1**.

Exhibit 1
County Assessment Caps

County	FY 2021
Allegany	4%
Anne Arundel	2%
Baltimore City	4%
Baltimore	4%
Calvert	10%
Caroline	5%
Carroll	5%
Cecil	4%
Charles	7%
Dorchester	5%
Frederick	5%
Garrett	5%
Harford	5%
Howard	5%
Kent	5%
Montgomery	10%
Prince George’s	2%
Queen Anne’s	5%
St. Mary’s	3%
Somerset	10%
Talbot	0%
Washington	5%
Wicomico	5%
Worcester	3%

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

To qualify for the credit, a homeowner must submit an application and meet other specified conditions. In addition to other requirements, SDAT must (1) identify homeowners who may be eligible but have failed to apply for the credit and include related information when sending specified assessment notices and (2) mail notices regarding potential eligibility for the tax credit to each individual who acquires residential property within a reasonable period of time, as specified.

Additional Comments: SDAT advises that the bill does not provide a mechanism by which it is notified whenever a contract of a first-time homebuyer includes information intended to make them eligible for the tax credit. The bill also eliminates a requirement for first-time homeowners to submit an application for the tax credit. Thus, it is unclear how SDAT is to receive and process information regarding first-time homebuyers in order to grant the credit. Such impact has not been accounted for in this analysis.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts); Maryland Department of Labor; State Department of Assessments and Taxation; Department of Legislative Services

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rh/jkb

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