

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 302
Ways and Means

(Baltimore County Delegation)

Budget and Taxation

**Baltimore County – Property Tax – Credit for Homeowners Who Have Suffered
a Hardship**

This bill authorizes Baltimore County to grant a property tax credit against the county property tax imposed on a dwelling that is owned by a homeowner whose combined income exceeds \$60,000 if the homeowner demonstrates that (1) the homeowner was denied the homeowners’ property tax credit for having a combined income that exceeds \$60,000; (2) the homeowner suffered a hardship in the calendar year that precedes the year in which the homeowner applies for the credit; (3) the homeowner paid or incurred expenses relating to the hardship that resulted in significant financial distress for the homeowner; and (4) the homeowner’s combined income would not have exceeded \$60,000 if not for the expenses related to the hardship. Baltimore County may establish (1) the amount and duration of the property tax credit; (2) additional eligibility criteria for the property tax credit; (3) regulations and procedures for the application and uniform processing of requests for the property tax credit; and (4) any other provision necessary to carry out the property tax credit. **The bill takes effect June 1, 2022, and applies to taxable years beginning after June 30, 2022.**

Fiscal Summary

State Effect: None.

Local Effect: Baltimore County revenues decrease by a potentially significant amount beginning in FY 2023 to the extent the property tax credit is granted. Under one set of assumptions, county property tax revenues could decrease by approximately \$1.4 million annually. County expenditures increase beginning in FY 2023 to administer the property tax credit.

Small Business Effect: None.

Analysis

Current Law: 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. Homeowners must apply to the State Department of Assessments and Taxation (SDAT) each year in order to be eligible for the property tax credit. The application is available on the department's website, and current applications may be filed beginning February 15, 2022, through October 1, 2022. Approximately 45,000 individuals receive the property tax credit each year. SDAT reports that the average homeowners' property tax credit is approximately \$1,350. The total cost of the program is approximately \$65 million annually. The proposed fiscal 2023 State budget includes \$64.7 million for the program.

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. Baltimore County currently caps the amount of the credit at \$160 per recipient.

The projected cost of the State property tax credit program for Baltimore County residents totals \$8.6 million in fiscal 2022, and the projected cost for the local supplemental program totals \$1.4 million.

Local Revenues: Baltimore County property tax revenues decrease beginning in fiscal 2023 to the extent the property tax credit is granted. Based on one set of assumptions, county revenues could decrease by \$1.4 million annually. This estimate is based on the following facts and assumptions:

- 6,731 homeowners in Baltimore County received the State homeowners' property tax credit in fiscal 2021, with the average credit amount totaling \$1,233.
- An additional 4,438 homeowners were denied the property tax credit, including those with a combined income of over \$60,000.
- 25% of denied applications (1,100) suffered a hardship and are eligible for the proposed tax credit.
- Average credit amount totals \$1,233 per application.

The actual impact on county expenditures will depend on several factors including (1) the number of individuals who apply and are denied eligibility for the State property tax credit program; (2) the number of applicants with an eligible hardship; and (3) the additional eligibility criteria established by the county government.

Local Expenditures: Baltimore County expenditures may increase beginning in fiscal 2023 to administer the property tax credit. The amount of the expenditure increase depends on the type of tax credit authorized by the county and the number of homeowners who qualify for the tax credit.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 349 (Senator Hettleman, *et al.*) - Budget and Taxation.

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

Fiscal Note History: First Reader - January 30, 2022
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Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510