

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 332
(Delegate Long)
Ways and Means

Baltimore County - Property Tax - Homeowners Property Tax Credit

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, 2022, and applies to taxable years beginning after June 30, 2022.**

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 budgeted resources.

Local Effect: Significant decrease in Baltimore County revenues beginning in FY 2023. Based on one set of assumptions, Baltimore County revenues may decrease by approximately \$4.6 million annually. Expenditures are not affected. **This 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.

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 2023 State budget includes \$64.7 million in funding for the program. Approximately 45,000 individuals are eligible to receive the property tax credit each year.

The projected cost of the State property tax credit for Baltimore County residents totals \$8.6 million in fiscal 2022, and the projected cost for the local supplemental program totals \$1.4 million. Approximately 6,700 homeowners in Baltimore County received the State homeowners' property tax credit in fiscal 2021, with the average credit amount totaling \$1,233. Baltimore County currently caps the amount of the local credit at \$160 per recipient.

Local Fiscal Effect: Baltimore County revenues for the supplemental homeowners' property tax credit decrease by a significant amount beginning in fiscal 2023. Part of this decrease 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 revenues could decrease by approximately \$4.6 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 approximately 6,700 individuals currently receiving the county supplemental credit and a maximum credit enhancement of \$540 per recipient, Baltimore County revenues could decrease by approximately \$3.6 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 decrease Baltimore County revenues by an additional \$1.0 million annually.

Additional Information

Prior Introductions: HB 559 of 2021 received a hearing in the House Ways and Means Committee, but no further action was taken. HB 451 of 2020 received a hearing in the House Ways and Means Committee, but no further action was taken. 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

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