This bill expands eligibility for the homeowners’ property tax credit program to individuals with a combined net worth of between $200,000 and $600,000. Under current law, to be eligible for the program, an individual’s combined net worth could not exceed $200,000. The bill takes effect June 1, 2022, and applies to taxable years beginning after June 30, 2022.

Fiscal Summary

**State Effect:** General fund expenditures for the homeowners’ property tax credit increase by a significant amount beginning in FY 2023. Under one set of assumptions, general fund expenditures for the program increase between $9.1 million and $12.2 million annually. General fund expenditures for administering the property tax credit increase by approximately $95,600 in FY 2023 and by $118,800 in FY 2027. Future year expenditures represent inflation and annualization. State revenues are not affected.

**Local Effect:** The overall effect on local government revenues depends on the impact of the bill on State expenditures. To the extent that more homeowners become eligible for the homeowners’ property tax credit, local governments that provide a supplement to the State homeowners’ property tax credit will realize a decrease in revenues.

**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
Homeowners must apply to the State Department of Assessments and Taxation (SDAT) each year in order to qualify based on a sliding scale of property tax liability and income. 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 proposed fiscal 2023 State budget includes $64.7 million for the program.

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 $60,000. Total real property tax is 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 $300,000 or the assessed value of the dwelling reduced by the amount of the homestead property tax credit.

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 $8,000 of combined income; (2) 4% of the next $4,000 of combined income; (3) 6.5% of the next $4,000 of combined income; and (4) 9% of the combined income over $16,000.

**State Expenditures:** General fund expenditures for the homeowners’ property tax credit program increase by a significant amount beginning in fiscal 2023 as a result of the change proposed by the bill. The amount of the expenditure increase depends on the number of homeowners who have a combined net worth of more than $200,000 but less than $600,000 and who also meet the other requirements of the tax credit.

As a point of reference, SDAT estimates that general fund expenditures for the program could increase by between $9.1 million and $12.2 million annually based on the following:

- Approximately 45,000 homeowners receive the property tax credit each year.
- Average homeowners’ property tax credit totals approximately $1,350.
- Number of tax credit recipients will increase by between 15% and 20%.

In order to implement the proposed change to the tax credit program, SDAT’s general fund expenditures increase by approximately $95,600 in fiscal 2023, which accounts for a 120-day start-up delay. This estimate reflects the cost of hiring two office secretaries to process the additional tax credit applications. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.
Positions
Salaries and Fringe Benefits $80,893
Operating Expenses 14,686
Total FY 2023 State Expenditures $95,579

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. Administrative expenditures will increase by $95,600 in fiscal 2023 and by $118,800 in fiscal 2027.

Local Fiscal Effect: Local governments are authorized to grant a local supplement to the homeowners’ property tax credit program. While SDAT administers the local program, local governments are responsible for covering the cost of the local supplement. Currently, Baltimore City and 13 counties (Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Charles, Frederick, Garrett, Harford, Howard, Kent, Montgomery, and Washington) provide a local supplement to the State program. In addition, several municipalities also provide a local supplement.

The overall impact on local revenues cannot be reliably estimated. In general, the interaction between the various components of the homeowners’ property tax credit calculation (maximum eligible assessment, income, net worth, State and local property tax liabilities, as well as other tax credits) effectively results in a maximum tax credit that is available to each homeowner. Due to this maximum credit amount, the amount of the local tax credit supplement will usually decrease as the amount of the State tax credit increases, as the amount of the State tax credit is applied first. However, to the extent that more homeowners become eligible for the homeowners’ property tax credit program, local governments that provide a supplement to the State homeowners’ property tax credit will realize a decrease in revenues.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Association of Counties; Comptroller’s Office; Maryland State Treasurer’s Office; State Department of Assessments and Taxation; Department of Legislative Services