

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 665
Ways and Means

(Delegate Feldmark, *et al.*)

Budget and Taxation

Comptroller and State Department of Assessments and Taxation - Enhancing
Access to Property Tax Benefits - Report

This bill requires the Comptroller and the State Department of Assessments and Taxation (SDAT) to confer during the 2023 legislative interim to identify ways the Comptroller could collaborate with SDAT to enhance access and raise awareness to specified property tax benefits available to taxpayers. **The bill takes effect June 1, 2023, and terminates June 30, 2024.**

Fiscal Summary

State Effect: General fund expenditures increase by \$18,000 in FY 2024 for SDAT to hire a consultant. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill requires the Comptroller and SDAT to confer during the 2023 legislative interim to identify ways the Comptroller could collaborate with SDAT to:

- enhance access to the property tax benefits administered by SDAT;
- raise awareness of the property tax benefits and encourage taxpayers to apply; and
- make the application process for the homeowners' and renters' tax credits simpler and more user-friendly by reducing or eliminating the need for the applicant to

separately report income information to SDAT on the homeowners' and renters' tax credit applications that the applicant has already reported to the Comptroller.

The Comptroller and SDAT must submit a joint report of their findings and recommendations to the House Ways and Means Committee and the Senate Budget and Taxation Committee by December 1, 2023. The report must include the amount of funding required and the timeline to implement any changes in policies or procedures recommended in the report.

Current Law:

Homeowners' Property Tax Credit Program

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. Counties and municipalities have the authority to enact local supplements to the program; the cost of such supplemental credits must be borne by the local governments. The fiscal 2024 State budget includes \$56.5 million in funding for the program.

Homestead Property Tax Credit Program

The Homestead Property Tax Credit Program provides tax credits against State, county, and municipal real property taxes for owner-occupied residential properties for the amount of real property taxes attributable to assessed values that exceed an annual assessment percentage increase or "cap" in any given year. The amount of the annual assessment cap is (1) 10%, for purposes of the credit against State property taxes; (2) 10% or less, as set by each county, for purposes of the credit against county property taxes; and (3) 10% or less, as set by the municipality (otherwise the county cap applies), for the municipal property tax credit. The cost of the credits against local property taxes is assumed by the local government. The effect of the homestead property tax credit is to smooth tax collections so that taxes increase more slowly than the increase in property values when values are appreciating substantially. When property values increase moderately, collections "catch up" as the homestead property tax credit available to taxpayers declines. This gives property owners tax relief and makes revenue estimates more predictable.

Renters' Property Tax Credit Program

The Renters' Property Tax Credit Program provides financial assistance for elderly, disabled, and certain low-income renters from the cost attributable to State and local real property taxes. The concept behind the program is that renters indirectly pay property taxes as part of their rent and, thus, should have some protection, as do homeowners. The

program makes payments directly to eligible renters to provide relief for the “assumed property tax” that renters indirectly pay as part of their rent. The fiscal 2024 State budget includes \$4.4 million for the program.

Property Tax Exemption for Disabled Veterans and Surviving Spouses.

The real property owned by disabled veterans, as their legal residence, is exempt from taxation, if specified requirements are met. A disabled veteran is an individual who is honorably discharged or released under honorable circumstances from active service in any branch of the U.S. Armed Forces. To qualify for the tax exemption, the disabled veteran must have a 100% service-connected disability rating. Real property owned by the surviving spouse of a disabled veteran and the surviving spouse of an individual who died in the line of duty while in active military, naval, or air service of the United States is exempt from taxation. In addition, a home owned by the surviving spouse of a veteran of the U.S. Armed Forces who receives Dependency and Indemnity Compensation from the U.S. Department of Veterans Affairs is eligible for a property tax exemption under specified circumstances.

State Fiscal Effect: SDAT advises that general fund expenditures will increase by \$18,000 in fiscal 2024 to hire a consultant to assist in conducting the required report. The Comptroller’s Office can assist with the report with existing resources.

Additional Information

Prior Introductions: Similar legislation has not been introduced in the last three years.

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 20, 2023
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