

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 897
Ways and Means

(Delegate Feldmark, *et al.*)

Budget and Taxation

Homeowners' Property Tax Credit - Qualified Homeowner - Application and
Certification Requirements

This bill alters the application requirements for the homeowners' property tax credit program for individuals who receive income only from social security, a pension, or an annuity. In these situations, the homeowner must submit a regular application in the first year that the individual applies for the property tax credit and a more abbreviated certification for the next two years. In the following third year, the homeowner will once again have to submit a regular application in order to remain eligible for the property tax credit. **The bill takes effect June 1, 2023, and applies to taxable years beginning after June 30, 2023.**

Fiscal Summary

State Effect: None. The bill's requirements can be handled with existing budgeted resources as the number of overall applications for the homeowners' property tax credit program is not expected to significantly change.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: To be eligible for the homeowners' property tax credit as a qualified homeowner, the individual must submit the application to the department only in the first year the qualified homeowner applies for the credit and every third year thereafter. For any year in which the application is not required, a qualified homeowner must submit to

the department either (1) a certification that the homeowner resided in the dwelling for at least six months in the preceding calendar year; the homeowner continued to have income only from social security, a pension, or an annuity in the preceding calendar year; and the individuals living in the homeowner's household did not change in the preceding calendar year; or (2) the original homeowners' property tax credit application. A qualified homeowner who submits a certification may not be required to submit any proof of income in addition to the certification.

A qualified homeowner is defined as a homeowner whose gross income includes only income from (1) any benefit under the Social Security Act; (2) a pension; or (3) an annuity.

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. 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.

Homeowners must apply to SDAT each year in order to be eligible for the property tax credit. The application is available on the department's website; current applications may be filed through October 1, 2023. Approximately 45,000 individuals receive the property tax credit each year.

For purposes of calculating the homeowners' property tax credit, gross income is defined as the total income from all sources for the calendar year that immediately precedes the taxable year, whether or not the income is included in the definition of gross income for federal or State tax purposes. This amount includes (1) any benefit under the Social Security Act or the Railroad Retirement Act; (2) the aggregate of gifts over \$300; (3) alimony; (4) support money; (5) any nontaxable strike benefit; (6) public assistance received in a cash grant; (7) a pension; (8) an annuity; (9) any unemployment insurance benefit; (10) any workers' compensation benefit; (11) the net income received from a business, rental, or other endeavor; (12) any withdrawal, payment, or distribution from an individual retirement account; (13) any withdrawal, payment, or distribution from any qualified retirement savings plan; and (14) any rent on the dwelling, including the rent from a room or apartment.

Gross income does not include (1) any income tax refund received from the State or federal government or (2) any loss from business, rental, or other endeavor.

State Fiscal Effect: The bill is not expected to significantly affect the number of overall applications for the homeowners' property tax credit program, but rather to make the application process less time consuming for certain homeowners who are already receiving

the property tax credit. The department advises that the new abbreviated application will be designed to be used with current and future tax application processing systems.

Additional Information

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

Designated Cross File: SB 826 (Senator Hayes) - Budget and Taxation.

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

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