

**Department of Legislative Services**  
Maryland General Assembly  
2024 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 340 (Senator King)  
Budget and Taxation

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**Property Tax - Credit to Offset Increases in Local Tax Revenue**

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This bill alters a local government property tax credit that is authorized to offset increases in local income tax revenues by allowing local governments to grant the property tax credit to the owner-occupied property of a homeowner for taxable years beginning after June 30, 2022, but before July 1, 2025, whether or not the homeowner has an application for the homestead property tax credit on file with the State Department of Assessments and Taxation (SDAT). **The bill takes effect June 1, 2024.**

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Potential significant decrease in Montgomery County property tax revenues in FY 2025 to the extent that the change to the property tax credit is authorized. Montgomery County expenditures increase by \$70,000 in FY 2025 for associated administrative costs.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Local governments are authorized to grant a property tax credit against the county or municipal property tax imposed on real property in order to offset increases in local income tax revenues resulting from a county income tax rate in excess of 2.6%. The credit is only available to the owner-occupied property of a homeowner. County and municipal governments may provide by law for (1) the amount of a property tax credit and (2) any other provisions necessary to carry out the property tax credit.

Chapter 445 of 2020 altered the eligibility criteria for the property tax credit by specifying that in order to remain eligible for the property tax credit, the homeowner must have an application for the homestead property tax credit on file with SDAT. Any increase in county property tax revenue resulting from the bill may not be counted toward a property tax revenue limitation provision in a county charter.

**Local Fiscal Effect:** Montgomery County provides a property tax credit to offset increases in the county income tax revenues resulting from a county income tax rate in excess of 2.6%. This property tax credit is called the Income Tax Offset Credit (ITOC), which is currently set at \$692. The ITOC is only available for a property owner's principal residence, as determined by SDAT. The ITOC is applied only against the general county and special service area *ad valorem* real property taxes. The credit does not apply to any State or municipal taxes and charges or county solid waste or water quality protection charges, or Washington Suburban Sanitary Commission charges.

As a result of Chapter 445, Montgomery County advises that homeowners must have a Homestead Tax Credit application on file with SDAT as of May 1, 2023, in order to receive the property tax credit. The county reports that if a property owner received the credit on the fiscal 2023 property tax bill but did not submit an application before the May 1 deadline, they would not receive the tax credit on their fiscal 2024 bill and will also see an additional charge for the fiscal 2023 credit of \$692.

To the extent that Montgomery County authorizes the credit for homeowners who did not have a homestead property tax credit application on file by May 1, 2023, county property tax revenues will decrease by a potentially significant amount, as the county advises that approximately 54,000 residential properties in the county could be affected. In addition, the county reports that administrative expenditures to implement the change to the property tax credit could total \$70,000 in fiscal 2025.

The Department of Legislative Services advises that Baltimore City and Frederick County have authorized this property tax credit; however, neither jurisdiction provided tax credits in fiscal 2023. If other jurisdictions do provide this property tax credit, the revenue impact would be the same (potential decrease in local property tax revenues due to potentially more property owners receiving the credit).

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### **Additional Information**

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

**Designated Cross File:** None.

**Information Source(s):** Baltimore City; Baltimore, Charles, and Montgomery counties; City of Laurel; Maryland Municipal League; Department of Legislative Services

**Fiscal Note History:** First Reader - January 23, 2024  
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