

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 154

(Chair, Ways and Means Committee)(By Request -
Departmental - Assessments and Taxation)

Ways and Means

Budget and Taxation

**Homeowners' Property Tax Credit - Application Filing Deadline - Extension for
Homeowner Protection Program Enrollees**

This departmental bill authorizes the State Department of Assessments and Taxation (SDAT) to accept an application for the homeowners' property tax credit submitted by a homeowner within three years after April 15 of the taxable year for which the credit is sought if the homeowner is enrolled in the Homeowner Protection Program. **The bill takes effect June 1, 2024, and applies to taxable years beginning after June 30, 2024.**

Fiscal Summary

State Effect: General fund expenditures for the homeowners' property tax credit increase beginning in FY 2025. The amount of the expenditure increase depends on the number of eligible homeowners who receive a retroactive property tax credit. State revenues are not affected.

Local Effect: 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: SDAT has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services disagrees with this assessment as the bill does not directly impact small businesses in the State.

Analysis

Current Law: SDAT may accept an application for the homeowners' property tax credit from a homeowner within (1) one year after April 15 of the taxable year for which the property tax credit is sought, if the homeowner is applying for the first time or has filed an application on or before October 1 in each of the three taxable years immediately preceding the taxable year for which the credit is sought or (2) three years after April 15 of the taxable year for which a credit is sought, if the homeowner is at least 70 years old as of the taxable year for which a credit is sought and was eligible for the homeowners' property tax credit for the taxable year for which the credit is sought.

Background:

State Tax Sale Ombudsman

Chapter 730 of 2019 established the State Tax Sale Ombudsman within SDAT to, among other things, (1) actively assist eligible homeowners to apply for tax credits, discount programs, and other public benefits that may assist the homeowners to pay delinquent taxes and improve their financial situation; (2) refer eligible homeowners to legal services, housing counseling, and other social services that may assist the homeowners to pay delinquent taxes and improve their financial situation; and (3) maintain a toll-free telephone number that a homeowner may call to obtain individualized personal assistance with delinquent taxes.

SDAT must annually publish on its website and submit to the Senate Budget and Taxation Committee and the House Committee on Ways and Means a report that includes (1) an analysis and summary of tax sale information collected through a required annual survey of the counties and (2) information on the activities of the ombudsman, including a summary of the implementation of the Homeowner Protection Program.

Homeowner Protection Program and Fund

Chapter 382 of 2021 established the Homeowner Protection Program administered by the State Tax Sale Ombudsman, and the Homeowner Protection Fund to support the program. The program diverts vulnerable homeowners from the private tax lien sale process into an alternative program – through the purchase of a homeowners' lien, whether before or after the lien is sold at a tax sale – in order to (1) minimize tax collection costs to homeowners; (2) assist homeowners to pay their taxes; and (3) allow homeowners to remain in their homes.

By June 30 each year, SDAT must determine the maximum number of homeowners who may be enrolled in the program in the next succeeding fiscal year based on the amount of funding available for the program in the Homeowner Protection Fund.

The ombudsman must (1) prominently advertise the program and make applications available on the ombudsman's website and (2) collaborate with local governments, community organizations, and public and private providers of social services and benefits to raise awareness of the program and disseminate applications.

The Homeowner Protection Fund consists of (1) tax and interest payments made to the department by homeowners enrolled in the program; (2) money appropriated in the State budget to the fund; (3) interest earnings; and (4) any other money from any other source accepted for the benefit of the fund. For each of fiscal 2023 through 2025, the Governor is required to include an appropriation of \$750,000 for the fund in the annual budget bill. The fund may be used only for any expenses associated with the program. The fund may not be used for any expenses of the tax sale ombudsman's office that are not directly related to the program. Expenditures from the fund may be made only in accordance with the State budget, and the fund is the exclusive source of funding for the program.

Chapter 316 of 2023 established that it is the intent of the General Assembly that at least 2% of the balance in the Homeowner Protection Fund be spent each year to conduct specified outreach to encourage homeowners in tax sale to enroll in the Homeowner Protection Program. Chapter 316 also (1) established authority of the State Tax Sale Ombudsman to conduct the outreach and gather related information and (2) required that a summary of the outreach conducted by the ombudsman be included in a specified annual report.

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.

Generally, 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, 2024.

Chapters 528 and 529 of 2023 altered 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.

Approximately 45,000 individuals receive the property tax credit each year.

State Fiscal Effect: General fund expenditures for the Homeowners' Property Tax Credit Program increase beginning in fiscal 2025 depending on the number of eligible homeowners who receive a retroactive property tax.

SDAT indicates that nine homeowners are currently enrolled in the Homeowner Protection Program, with another seven homeowners expected to be enrolled by the end of January 2024. The department estimates that up to 75 homeowners will be enrolled in the program by the end of fiscal 2024. The average homeowners' property tax credit for fiscal 2020 through 2022 totaled \$1,461.

As a point of reference, if 25 homeowners enrolled in the Homeowner Protection Program qualify for a one-year retroactive property tax credit, general fund expenditures will increase by approximately \$36,500. If these individuals qualify for a three-year retroactive tax credit, general fund expenditures will increase by approximately \$109,500.

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.

Additional Information

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

Designated Cross File: SB 286 (Chair, Budget and Taxation Committee)(By Request - Departmental - Assessments and Taxation) - Budget and Taxation.

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

Fiscal Note History: First Reader - January 16, 2024
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Homeowners' Property Tax Credit - Application Filing Deadline -
Extension for Homeowner Protection Program Enrollees

BILL NUMBER: HB 154

PREPARED BY: Bob Yeager

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

 X WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This proposed bill supports small businesses because it helps prevent homeowners from being displaced through tax sale, which can create neighborhood instability and negatively impact local small businesses.