

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 507
Ways and Means

(Delegates Buckel and Hinebaugh)

Budget and Taxation

Allegany and Garrett Counties - Property Tax - Credit for Construction of Housing

This bill authorizes Allegany and Garrett counties and municipalities within those counties to grant, by law, a property tax credit of up to \$10,000 against the property tax imposed on an eligible dwelling for up to five years if the eligible dwelling meets specified requirements. **The bill takes effect June 1, 2024, and applies to taxable years beginning after June 30, 2024.**

Fiscal Summary

State Effect: None.

Local Effect: Local property tax revenues for Allegany and Garrett counties and eligible municipalities decrease beginning as early as FY 2025 to the extent local property tax credits are granted in accordance with the bill’s authorization. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: “Eligible dwelling” is defined as newly constructed residential real property (1) that has not been previously occupied since its construction; (2) for which the building permit for construction was issued on or after June 1, 2024; and (3) is occupied by the purchaser of the dwelling as the purchaser’s principal residence. To be eligible for the local property tax credit, an eligible dwelling must be constructed or equipped with a sprinkler system installed in accordance with State or local law, an on-site sewage disposal

system installed in accordance with State or local law, or fixed broadband Internet access service connectivity.

The governing body of an eligible county or municipality that grants a property tax credit under the bill may provide, by law, for (1) the amount of the credit; (2) additional eligibility criteria for the credit; (3) regulations and procedures for the application and uniform processing of requests for the tax credit; and (4) any other provision necessary to carry out the tax credit.

Current Law: Allegany County or the City of Cumberland may grant, by law, a property tax credit against the county and municipal corporation tax imposed on property that is rehabilitated or newly constructed under regulations adopted by the governing body. The credit may not extend beyond the first 10 years after the rehabilitation or new construction is completed, and the credit may not exceed the initial valuation of the rehabilitation or new construction and the resulting phase-in of the valuation.

Local Revenues: Property tax revenues for Allegany and Garrett counties and eligible municipalities decrease beginning as early as fiscal 2025 to the extent these jurisdictions grant local property tax credits in accordance with the bill's authorization. The precise effect on local revenues depends on local policy decisions and cannot be reliably estimated. *For illustrative purposes only*, should *all* newly constructed single-family homes in Allegany and Garrett counties be eligible for a county property tax credit of up to \$10,000 beginning in fiscal 2025, (1) Allegany County property tax revenues may decrease by \$95,000 in fiscal 2025 and by \$690,000 in fiscal 2029 and (2) Garrett County property tax revenues may decrease by \$715,000 in fiscal 2025 and by \$3.6 million in fiscal 2029.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 765 of 2023 and SB 675 and HB 843 of 2022.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Department of Housing and Community Development; Allegany and Garrett counties; City of Frostburg; Town of Bel Air; Moody's Analytics; Department of Legislative Services

Fiscal Note History: First Reader - February 7, 2024
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