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(a) (1) In this section the following words have the meanings indicated.

(2) "Active member" means:

(i) a shareholder in a family corporation;

(ii) a partner in a general partnership; or

(iii) a member of a limited liability company or partner in a limited liability partnership who has or shares the authority to manage, control, and operate the limited liability company or limited liability partnership and who shares the assets and earnings of the limited liability company or limited liability partnership under an operating agreement under § 4A–402 of the Corporations and Associations Article or under a partnership agreement.

(3) "Agricultural ownership entity" means a family corporation, general partnership, limited liability company, or limited liability partnership that:

(i) owns real property that:

1. includes land receiving an agricultural use assessment under § 8–209 of this article; and

2. includes land used as a homesite that is part of or contiguous to a parcel described in item 1 of this item;

(ii) owns personal property used to operate the agricultural land; and

(iii) owns no other property.

(4) "Bicounty commission" means:

(i) the Maryland–National Capital Park and Planning Commission;

(ii) the Washington Suburban Sanitary Commission; or

(iii) the Washington Suburban Transit Commission.

(5) (i) "Dwelling" means:

1. a house that is:

A. used as the principal residence of the homeowner; and

B. actually occupied or expected to be actually occupied by the homeowner for more than 6 months of a 12–month period beginning with the date of finality for the taxable year for which the property tax credit under this section is sought; and

2. the lot or curtilage on which the house is erected.

(ii) "Dwelling" includes:

1. a condominium unit that is occupied by an individual who has a legal interest in the condominium;

2. an apartment in a cooperative apartment corporation that is occupied by an individual who has a legal interest in the apartment; and

3. a part of real property used other than primarily for residential purposes, if the real property is used as a principal residence by an individual who has a legal interest in the real property.

(6) "Family corporation" means a corporation that does not have any stockholders other than the homeowner and the following members of the homeowner's family:

(i) a spouse or former spouse;

(ii) a child or stepchild;

(iii) a parent or stepparent;

(iv) a brother or sister;

(v) a son–in–law, daughter–in–law, stepson–in–law, or stepdaughter–in–law;

(vi) a grandchild or stepgrandchild; or

(vii) a grandparent or stepgrandparent.

(7) "Homeowner" means an individual who has a legal interest in a dwelling or who is an active member of an agricultural ownership entity that has a legal interest in a dwelling.

(8) "Legal interest" means an interest in a dwelling:

(i) as a sole owner;

(ii) as a joint tenant;

(iii) as a tenant in common;

(iv) as a tenant by the entireties;

(v) through membership in a cooperative;

(vi) under a land installment contract, as defined in § 10–101 of the Real Property Article;

(vii) as a holder of a life estate; or

(viii) as a settlor, grantor, or beneficiary of a trust if:

1. the settlor, grantor, or beneficiary of the trust does not pay rent or other remuneration to reside in the dwelling; and

2. legal title to the dwelling is held in the name of the trust or in the names of the trustees for the trust.

(9) "Taxable assessment" means the assessment on which the property tax rate was imposed in the preceding taxable year, adjusted by the phased–in assessment increase resulting from a revaluation under § 8–104(c)(1)(iii) of this article, less the amount of any assessment on which a property tax credit under this section is authorized.

(b) (1) If there is an increase in property assessment as calculated under this section, the State and the governing body of each county and of each municipal corporation shall grant a property tax credit under this section against the State, county, and municipal corporation property tax imposed on real property by the State, county, or municipal corporation.

(2) A property tax credit granted under this section shall be applicable to any State, county, or municipal corporation property tax and any property tax imposed for a bicounty commission.

(c) (1) If a dwelling is not used primarily for residential purposes, the Department shall apportion the total property assessment between the part of the dwelling that is used for residential purposes and the part of the dwelling that is not used for residential purposes.

(2) If a homeowner does not actually reside in a dwelling for the required time period because of illness or need of special care and is otherwise eligible for a property tax credit under this section, the homeowner may qualify for the property tax credit under this section.

(3) If a homeowner otherwise eligible for a credit under this section does not actually reside in a dwelling for the required time period because the dwelling is damaged due to an accident or natural disaster, the homeowner may continue to qualify for a credit under this section for the current taxable year and 2 succeeding taxable years even if the dwelling has been removed from the assessment roll in accordance with § 10–304 of this article.

(4) (i) For a homeowner who is an active member of an agricultural ownership entity to qualify for the property tax credit under this section:

1. the dwelling must have been owned and occupied by the active member:

A. at the time of its transfer to the agricultural ownership entity; or

B. if the agricultural ownership entity is a limited liability company and the dwelling was originally transferred to the agricultural ownership entity as part of a conversion from a partnership under § 4A–211 of the Corporations and Associations Article, then at the time of its transfer to the former partnership; and

2. the agricultural ownership entity and the active member who occupies the dwelling must file an application with the Department establishing initial eligibility for the credit on or before June 30 for the following taxable year and, at the request of the Department, must file an application in any future year to verify continued eligibility.

(ii) Failure to file a timely application may result in disqualification from the Homestead Tax Credit Program for the following taxable year.

(iii) The credit may only be granted to one dwelling owned by the agricultural ownership entity.

(iv) Participation in the credit program as the active member of an agricultural ownership entity disqualifies any other dwellings owned by the active member for the credit.

(5) (i) This paragraph applies only if the homeowner owned and occupied a dwelling on the subject property as the homeowner's principal residence for at least the 3 tax years immediately preceding the razing of the dwelling or the commencement of substantial improvements on the property.

(ii) If a homeowner otherwise eligible for a credit under this section does not actually reside in a dwelling on the subject property for the required period of time under subsection (a)(5) or (d)(2) of this section because the dwelling was razed by the homeowner for the purpose of replacing it with a new dwelling or was vacated by the homeowner for the purpose of making substantial improvements to the property, the homeowner may continue to qualify for a credit under this section for the tax year in which the razing or the substantial improvements were commenced and 1 succeeding tax year even if the dwelling has been removed from the assessment roll.

(iii) If a homeowner qualifies for a credit under this paragraph, the full benefit of the credit existing at the commencement of the tax year in which the razing or vacating of the dwelling occurred may not be diminished during that tax year except that neither the calculation of the abatement nor the assessment under this paragraph shall include an assessment less than zero.

(iv) If a homeowner qualifies for a credit under this paragraph, the calculation of the credit associated with the initial taxable assessment of the substantially completed new improvements, which is effective on or before the second July 1 after the razing or vacating of the dwelling, shall include the revaluation under § 8–104(c)(1)(iii) of this article.

(6) (i) This paragraph applies if:

1. the credit under this section has been denied for a dwelling for any taxable year because of the homeowner's failure to occupy the dwelling for the required time period; and

2. the homeowner's failure to occupy the dwelling for the required time period was the result of the homeowner's being an employee of the United States government stationed outside the State for a period not exceeding 6 consecutive years.

(ii) Subject to subparagraph (iii) of this paragraph, a homeowner otherwise eligible for a credit under this section may qualify for the credit for a dwelling to which this paragraph applies for the next taxable year following the homeowner's resumption of residency in the dwelling.

(iii) The credit allowed under this paragraph shall be calculated based on the prior year's taxable assessment of the dwelling determined as if the credit had not been lost for the intervening taxable years when the homeowner was an employee of the United States government stationed outside the State.

(d) (1) Subject to the provisions of paragraph (6) of this subsection, the Department shall authorize and the State, a county, or a municipal corporation shall grant a property tax credit under this section for a taxable year unless during the previous taxable year:

(i) the dwelling was transferred for consideration to new ownership;

(ii) the value of the dwelling was increased due to a change in the zoning classification of the dwelling initiated or requested by the homeowner or anyone having an interest in the property;

(iii) the use of the dwelling was changed substantially; or

(iv) the assessment of the dwelling was clearly erroneous due to an error in calculation or measurement of improvements on the real property.

(2) A homeowner must actually reside in the dwelling by July 1 of the taxable year for which the property tax credit under this section is to be allowed.

(3) A homeowner may claim a property tax credit under this section for only 1 dwelling.

(4) If a property tax credit under this section is less than $1 in any taxable year, the tax credit may not be granted.

(5) (i) If the dwelling was transferred for consideration in a deed dated on or after January 1 but before the beginning of the next taxable year and the

deed was recorded with the clerk of the circuit court or the Department on or after July 1 but before September 1 of the next taxable year, the new owner may submit a written application to the Department on or before September 1 of the second taxable year following the date of the deed requesting that the date of the deed be accepted by the Department as the date of transfer under paragraph (1) of this subsection.

(ii) 1. The applicant shall submit with the written application a copy of the executed deed evidencing the date of the transfer.

2. If the applicant fails to submit a copy of the executed deed as required under subsubparagraph 1 of this subparagraph, the Department shall deny the application.

(iii) The date of the transfer under this paragraph is the effective date of the deed as described under § 3–201 of the Real Property Article.

(iv) If a homeowner submits an eligible application under this paragraph after May 1 of the first taxable year following the date of the deed and the homeowner is due to receive a reduction in the homeowner's property tax bill in the second taxable year following the date of the deed as a result of the credit under this section, property tax is not due on the dwelling for the second taxable year following the date of the deed until 30 days after a revised tax bill is sent to the homeowner.

(6) (i) Except as provided under paragraph (7) of this subsection, to qualify for the credit under this section, a homeowner shall submit an application for the credit to the Department as provided in this paragraph.

(ii) The application shall:

1. be made on the form that the Department provides;

2. provide the information required by the form;

3. include a statement by the homeowner under oath that the facts stated in the application are true, correct, and complete; and

4. except as provided in subparagraph (iii) of this paragraph, be filed on or before the May 1 preceding the first taxable year for which the property tax credit under this section is to be allowed.

(iii) For a dwelling that was last transferred for consideration to new ownership on or before December 31, 2007, an application shall be filed with the Department on or before December 30, 2013, or the Department may not

authorize and the State, county, and municipal corporation may not grant the property tax credit under this section:

1. for the taxable year beginning July 1, 2014; and

2. for a taxable year beginning after June 30, 2015, unless an application is filed as required under subparagraphs (i) and (ii) of this paragraph.

(iv) If a dwelling previously received a credit under this section and failed to qualify for 1 taxable year because of a failure to file the application required under this paragraph, the Department:

1. shall grant the credit for the dwelling for the next following taxable year on the timely filing of the application by the same homeowner who previously received the credit; and

2. shall calculate the prior year's taxable assessment for the dwelling as if the credit had not been lost for the 1 intervening taxable year.

(v) The Department shall provide a homeowner the option to submit the application required under this paragraph electronically on the Department's website.

(7) If a homeowner submits an application to the Department under this section and the Department determines that the homeowner was eligible for the credit in the prior taxable year but failed to file an application for the credit as required under this subsection:

(i) the homeowner shall be retroactively qualified for the Homestead Property Tax Credit Program for the prior taxable year; and

(ii) the Department shall calculate the prior year's taxable assessment as if the credit had been granted for the prior taxable year.

(8) (i) This paragraph shall be interpreted broadly to apply to any homeowner who:

1. is at least 70 years of age;

2. was eligible for the credit in the prior taxable year but failed to file an application for the credit; and

3. applies for a credit for the current taxable year.

(ii) For homeowners that meet the criteria under subparagraph (i) of this paragraph, the Department shall calculate the current year's taxable assessment as if the credit had been granted for the prior taxable year.

(iii) A homeowner who meets the criteria under subparagraph (i) of this paragraph is not due a reimbursement of property taxes paid in prior taxable years.

(e) (1) For each taxable year, the property tax credit under this section is calculated by:

(i) multiplying the prior year's taxable assessment by the homestead credit percentage as provided under paragraph (2) of this subsection;

(ii) subtracting that amount from the current year's assessment; and

(iii) if the difference is a positive number, multiplying the difference by the applicable property tax rate for the current year.

(2) For each taxable year, the homestead credit percentage under paragraph (1)(i) of this subsection is:

(i) for the State property tax and for any property tax imposed for a bicounty commission, 110%;

(ii) for the county property tax:

1. the homestead credit percentage established by the county under paragraph (3) of this subsection; or

2. if the county has not set a percentage for the taxable year under paragraph (3) of this subsection or has not notified the Department as required under paragraph (6) of this subsection, the homestead credit percentage in effect for the county for the preceding taxable year; and

(iii) for the municipal corporation property tax:

1. the homestead credit percentage established by the municipal corporation under paragraph (4) of this subsection; or

2. if the municipal corporation has not set a percentage under paragraph (4) of this subsection or has not notified the Department as required

under paragraph (7) of this subsection, the homestead credit percentage for the taxable year for the county in which the property is located.

(3) Subject to paragraph (5) of this subsection, the Mayor and City Council of Baltimore City and the governing body of a county on or before March 15 of any year shall set, by law, the homestead credit percentage for the taxable year beginning the following July 1.

(4) Subject to paragraph (5) of this subsection, on or before March 25 of any year, the governing body of a municipal corporation may set or alter, by law, a homestead credit percentage for the taxable year beginning the following July 1 and any subsequent taxable year.

(5) The homestead credit percentage for any county or municipal corporation property tax:

(i) may not be less than 100% or exceed 110% for any taxable year; and

(ii) shall be expressed in increments of 1 percentage point.

(6) The Mayor and City Council of Baltimore City and the governing body of a county shall notify the Department of any action taken under paragraph (3) of this subsection on or before March 15 preceding the taxable year for which the action is taken.

(7) A municipal corporation shall notify the Department of any action taken under paragraph (4) of this subsection on or before March 25 preceding the taxable year for which the action is taken.

(f) (1) The Department shall give notice of the possible property tax credit under this section.

(2) In addition to any other notice the Department provides under this subsection, the Department shall:

(i) identify homeowners who may be eligible but have failed to apply for the property tax credit under this section; and

(ii) include a separate insert with each assessment notice sent under § 8–401 of this article to each homeowner identified under item (i) of this paragraph that informs the homeowner that the homeowner may be eligible for the property tax credit under this section and how to apply for the credit.

(3) In addition to any other notice the Department provides under this subsection, the Department shall mail a notice to each individual who acquires residential real property and has not applied for the credit under this section within a reasonable period of time after the individual:

(i) acquires the property by recorded deed; and

(ii) indicates that the property will be the individual's principal residence on the corresponding land instrument intake sheet described under § 3–104 of the Real Property Article.

(4) The notice required under paragraph (3) of this subsection shall:

(i) inform the individual that the individual may be eligible for the property tax credit under this section;

(ii) contain information on how to apply for the credit; and

(iii) inform the individual that the individual may apply to the Department to have the date of the deed accepted as the date of transfer of the property for purposes of the credit as provided in subsection (d)(5) of this section.

(5) (i) The Department shall design a document concerning the credit under this section that shall be presented to the buyer of residential property at the settlement for the property by the person conducting the settlement.

(ii) The document under this paragraph shall include:

1. the following statement in conspicuous type: "If you plan to live in this home as your principal residence, you may qualify for the homestead property tax credit. The homestead property tax credit may significantly reduce the amount of property taxes you owe.";

2. instructions on how to apply for the credit online; and

3. a complete application for the credit and instructions on how to submit the paper application to the Department.

(iii) The Department shall make the document under this paragraph available on its website where it may be easily accessed by persons conducting settlements for residential property.

(6) The Department shall ensure that the information it provides under this subsection is accurate and up–to–date.

(g) A homeowner who meets the requirements of this section shall be granted the property tax credit under this section against the State, county, and municipal corporation property tax and any property tax imposed for a bicounty commission imposed on the real property of the dwelling.

(h) The tax credit under this section shall be included on the homeowner's property tax bill.

(i) (1) When property that has received a credit under this section for the current taxable year includes improvements that are removed from the assessment roll under § 10–304 of this article because of damage due to an accident or a natural disaster:

(i) the full benefit of the property tax abatement under § 10–304 of this article may not be diminished by the amount of the credit;

(ii) the full benefit of that credit may not be diminished by the property tax abatement under § 10–304 of this article and shall be reflected in the assessment of the total property, including any new improvements, for the current taxable year; and

(iii) the property shall be eligible to receive a credit under this section for the current taxable year and the two succeeding taxable years regardless of the existence or condition of the dwelling.

(2) Neither the calculation of the abatement nor the assessment under this subsection shall include an assessment less than zero.

(j) The Department shall adopt rules and regulations to implement this section.

(k) The tax credit under this section shall be known as the homestead property tax credit.

(l) The Comptroller shall:

(1) cooperate with the Department in adopting a procedure to audit the application forms submitted under this section;

(2) notwithstanding § 13–202 of the Tax – General Article, provide additional information to the Department; and

(3) assist the Department in a postaudit of each application.

(m) (1) The counties shall reimburse the Department for the administration of the application process under subsection (d)(6) of this section.

(2) For each fiscal year, the reimbursement required under this subsection shall be prorated based on the ratio of the number of improved properties that would be eligible for the credit under this section located in the county compared to the total number of improved residential properties eligible for the credit under this section statewide as of July 1 of that fiscal year.

(3) The Department shall bill each county according to the formula under paragraph (2) of this subsection.

(n) (1) A person who has been granted a property tax credit under this section and is subsequently found to not qualify for the credit by the Department shall be assessed all State, county, and municipal corporation property tax otherwise due for each taxable year the person did not qualify to receive the credit.

(2) (i) If a person is found by the Department to have willfully misrepresented facts regarding qualification for the property tax credit under this section, the person shall be assessed a penalty equal to 25% of the amount of the property tax credit received during each taxable year for which the person did not qualify.

(ii) The amount of the penalty shall be separately itemized on the person's property tax bill and constitutes a lien on the property until:

1. payment of the penalty in full; or

2. if the property is sold in an action to foreclose on a mortgage or deed of trust:

A. a copy of the court order ratifying the foreclosure sale is provided to the supervisor of assessments for the county in which the residential property is located; or

B. an instrument of writing transferring the property is recorded in the land records of the county in which the property is located.

(3) If a lien is released under paragraph (2)(ii)2 of this subsection, any unpaid penalty amount shall remain the personal liability of the person against whom the penalty was assessed.

(4) A person may appeal a determination made under this subsection in accordance with the policies and procedures set forth in § 14–506 of this article.

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