

Department of Legislative Services  
Maryland General Assembly  
2025 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 1214  
Ways and Means

(Delegates R. Long and Hornberger)

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**Property Tax - Homestead Property Tax Credit - First-Time Homebuyer**

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This bill enables a first-time homebuyer in the State to receive a homestead property tax credit for a newly purchased home based on the taxable assessment of the previous owner. The property tax credit must be adjusted by the phased-in assessment increase resulting from a property revaluation. The State Department of Assessments and Taxation (SDAT) must authorize, and the State, county, or municipality must grant a property tax credit to the first-time homebuyer. **The bill takes effect June 1, 2025, and applies to taxable years beginning after June 30, 2025.**

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**Fiscal Summary**

**State Effect:** Annuity Bond Fund (ABF) revenues decrease by a significant amount beginning in FY 2026. Under one set of assumptions, revenues decrease by \$0.5 million in FY 2026 and by \$2.5 million in FY 2030. The revenue decrease may require either (1) an increase in the State property tax rate or (2) a general fund appropriation to cover debt service on the State’s general obligation (GO) bonds.

**Local Effect:** Local property tax revenues decrease by a significant amount beginning in FY 2026. Under one set of assumptions, local revenues decrease by \$10 million in FY 2026 and by \$50 million in FY 2030. Expenditures are not affected. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** None.

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**Analysis**

**Current Law:** The homestead property tax credit program (assessment caps) provides tax credits against State, county, and municipal real property taxes for owner-occupied

residential properties for the amount of real property taxes resulting from an annual assessment increase that exceeds a certain percentage or “cap” in any given year. The State requires the cap on assessment increases to be set at 10% for State property tax purposes; however, local governments have the authority to lower the cap. A majority of local subdivisions have assessment caps below 10%. **Exhibit 1** lists county assessment caps for fiscal 2023 through 2025.

Subject to submitting a specified application to SDAT and having the application approved, the department must authorize and the State, a county, or a municipality must grant a homestead property tax credit for a taxable year unless during the previous taxable year (1) the dwelling was transferred for consideration to new ownership; (2) 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; (3) the use of the dwelling was changed substantially; or (4) the assessment of the dwelling was clearly erroneous due to an error in calculation or measurement of improvements on the real property.

In addition, in order to qualify for the property tax credit, a homeowner must actually reside in the dwelling by July 1 of the taxable year for which the property tax credit is to be allowed. A homeowner may claim a property tax credit for only one dwelling.

The homestead property tax credit program is administered as follows:

- Increases in property assessments are equally spread out over three years. For example, if a property’s assessment increased by \$120,000, from \$300,000 to \$420,000, the increase would be phased in through increments of \$40,000 annually for the next three years.
- If the assessment cap was set at 10%, however, the amount of assessment subject to taxes would increase by only \$30,000 in the first year, \$33,000 in the following year, and \$36,300 in the third year.
- Since the assessment cap was set lower than the actual market increase, the homeowner does not have to pay taxes on the property’s full assessed value.

The extent to which the homestead property tax credit program may actually restrict the ability of a county to raise property tax revenues depends on the county’s need for revenues from the property tax and other legal and practical limitations. For example, a county impacted by a charter-imposed property tax limitation measure would presumably reduce tax rates to offset the impact of rising assessments in the absence of the homestead credit.

Additional information on the homestead property tax credit program and the fiscal impact on county governments is provided in the [Local Government Overview Report](#). A copy of the report is available on the Department of Legislative Services [website](#).

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**Exhibit 1**  
**County Assessment Caps**

<b>County</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
Allegany	4%	4%	4%
Anne Arundel	2%	2%	2%
Baltimore City	4%	4%	4%
Baltimore	4%	4%	4%
Calvert	10%	10%	10%
Caroline	5%	5%	5%
Carroll	5%	5%	5%
Cecil	4%	4%	4%
Charles	7%	7%	7%
Dorchester	5%	5%	5%
Frederick	5%	5%	5%
Garrett	5%	5%	3%
Harford	5%	5%	5%
Howard	5%	5%	5%
Kent	5%	5%	5%
Montgomery	10%	10%	10%
Prince George's	5%	5%	3%
Queen Anne's	5%	5%	5%
St. Mary's	3%	3%	3%
Somerset	10%	10%	10%
Talbot	0%	0%	0%
Washington	5%	5%	5%
Wicomico	5%	5%	5%
Worcester	3%	3%	3%

Source: State Department of Assessments and Taxation; Department of Legislative Services

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**State Fiscal Effect:** ABF revenues decrease by a significant amount beginning in fiscal 2026 due to first-time homebuyers receiving a property tax credit based on the prior taxable assessment. Under current law, homestead property tax credits do not transfer from one homeowner to another, and each new homeowner receives a new property assessment upon transfer of the property. The amount of the revenue decrease depends on the number of first-time homeowners who purchase homes each year and the amount of the property tax credit.

Based on current property tax assessments, it is estimated that ABF revenues may decrease by approximately \$0.5 million in fiscal 2026 and by \$2.5 million in fiscal 2030. The estimate is based on the following facts and assumptions:

- an estimated 87,000 home sales in Maryland in fiscal 2024, which includes home sales with a mortgage (new and existing).
- SDAT reports that the average State homestead tax credit is \$15,273 and the average county homestead tax credit is \$33,448 for fiscal 2025.
- 25% of home purchases are made by first-time homebuyers.
- the State real property tax rate is \$0.112 per \$100 of assessment.
- Local real property tax rates range from \$0.791 per \$100 of assessment in Talbot County to \$2.248 per \$100 of assessment in Baltimore City, with a weighted average tax rate of \$1.202 per \$100 of assessment.
- the number of homes purchased by first-time homebuyers remains constant.

#### *Impact on Debt Service Payments*

Debt service payments on the State's GO bonds are paid from the ABF. Revenue sources for the fund include State property taxes, premium from bond sales, and repayments from certain State agencies, subdivisions, and private organizations. General funds may be appropriated directly to the ABF to make up any differences between the debt service payments and funds available from property taxes and other sources. The fiscal 2026 State budget includes \$1.4 billion for GO debt service costs, including \$181.7 million in general funds, \$1.2 billion in special funds from the ABF, \$1.7 million in transfer tax revenues, and \$2.6 million in federal funds.

To offset the reduction in State property tax revenues, general fund expenditures could increase in an amount equal to the decrease in the ABF revenues, or the State property tax rate would have to be increased to meet debt service payments.

**Local Fiscal Effect:** Local government revenues decrease by a significant amount beginning in fiscal 2026 depending on the number of first-time homeowners who purchase homes each year and the amount of the property tax credit. Based on the data and assumptions used to estimate the State fiscal effect, local property tax revenues may decrease by approximately \$10 million in fiscal 2026 and \$50 million in fiscal 2030.

The actual impact on local revenues will be significantly affected by the homestead assessment cap imposed by the local jurisdiction, which can range from 0% to 10%. Jurisdictions with a lower homestead assessment cap (*i.e.*, Anne Arundel, Prince George's, and Talbot) will incur relatively greater revenue decreases under the bill.

**Exhibit 2** shows the average county homestead tax credit amount for each jurisdiction for fiscal 2025 and the corresponding average property tax loss for each homestead tax credit.

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**Exhibit 2**  
**County Homestead Tax Credit Amount**  
**Fiscal 2025**

<b>County</b>	<b>Homestead Tax Credit</b>	<b>County Tax Rate</b>	<b>Revenue Loss Per Tax Credit</b>
Allegany	\$12,460	\$0.9750	\$121
Anne Arundel	100,114	0.9830	984
Baltimore City	26,835	2.2480	603
Baltimore	22,849	1.1000	251
Calvert	9,762	0.9670	94
Caroline	24,721	0.9800	242
Carroll	20,855	1.0180	212
Cecil	13,127	0.9824	129
Charles	18,543	1.2050	223
Dorchester	13,703	1.0000	137
Frederick	30,183	1.1100	335
Garrett	24,551	1.0560	259
Harford	9,312	0.9779	91
Howard	28,003	1.2500	350
Kent	15,752	1.0220	161
Montgomery	26,369	1.0392	274
Prince George's	94,238	1.3740	1,295
Queen Anne's	23,162	0.8300	192
St. Mary's	24,910	0.8478	211
Somerset	14,370	1.0000	144
Talbot	149,380	0.7910	1,182
Washington	26,569	0.9280	247
Wicomico	20,562	0.8468	174
Worcester	52,433	0.8450	443

Source: State Department of Assessments and Taxation

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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):** Montgomery and Wicomico counties; Maryland Municipal League; State Department of Assessments and Taxation; Department of Legislative Services

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