

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 812 (Senator Hayes)
Budget and Taxation

Homeowners' Property Tax Credit - Eligibility and Calculation - Alterations

This bill alters the calculation for the Homeowners' Property Tax Credit Program by modifying two eligibility criteria: (1) increases the combined gross income limit from \$60,000 to \$100,000; and (2) changes the percentages applied to the combined gross income used to determine the property tax limit. **The bill takes effect June 1, 2026, and applies to taxable years beginning after June 30, 2026.**

Fiscal Summary

State Effect: General fund expenditures for homeowners' property tax credits increase by a significant amount beginning in FY 2027. Under one set of assumptions, general fund expenditures increase by at least \$100 million beginning in FY 2027. State revenues are not affected.

Local Effect: The overall effect on local government revenues depends on the impact of the bill on State expenditures. 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: None.

Analysis

Current Law: 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 2027 State budget includes \$56.0 million in funding for the program.

Homeowners must apply to the State Department of Assessments and Taxation (SDAT) each year in order to be eligible for the property tax credit. The application is available on the department's website. Approximately 38,500 individuals receive the property tax credit each year.

The maximum assessment against which the credit may be granted is \$300,000, less the amount of any homestead property tax credit received (a State program that 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 annual assessment increases that exceeds a certain percentage or "cap" in any given year). To be eligible for the property tax credit, a recipient's net worth may not exceed \$200,000 and the combined gross household income may not exceed \$60,000.

The total real property tax is the product of the sum of all property tax rates on real property, including special district tax rates, for the taxable year on a dwelling multiplied by the lesser of \$300,000 or the assessed value of the dwelling reduced by the amount of the homestead property tax credit.

The amount of the homeowners' property tax credit is the difference between the total property tax and a calculated tax limit. The tax limit is calculated by applying specified percentages to the homeowners' gross income. The percentages applied to the combined income that are used to calculate the property tax limit are (1) 0% of the first \$8,000 of combined income; (2) 4% of the next \$4,000 of combined income; (3) 6.5% of the next \$4,000 of combined income; and (4) 9% of the combined income over \$16,000.

State Fiscal Effect: General fund expenditures for the Homeowners' Property Tax Credit Program increase by a significant amount beginning in fiscal 2027. Based on recent applications received for the property tax credit, general fund expenditures could increase by at least \$100 million annually, beginning in fiscal 2027. The estimate is based on the following data provided by SDAT:

- on average 60,400 annual applications for the property tax credit;
- on average 38,500 applications become eligible for the property tax credit;
- the average homeowners' property tax credit is \$1,572.

The significant increase in State expenditures is due to expanding program eligibility by including additional "middle-income" individuals who were previously phased-out by the current \$60,000 gross combined income limit. According to SDAT, expanding the income limit under the bill could nearly double the number of eligible participants. This assumption

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is consistent with household income data from the U.S. Census Bureau. According to the 2024 American Community Survey, approximately 20% of households within Maryland have an income level between \$60,000 and \$100,000. Another contributing factor is the adjustment to the property tax limit by providing for a higher property tax credit to eligible recipients. Depending on the combined income of the tax credit applicant, the potential increase in the credit amount could total approximately \$1,000, which represents a 64% increase over the average tax credit amount for current recipients.

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.

The overall impact on local revenues cannot be reliably estimated. In general, the interaction between the various components of the homeowners' property tax credit calculation (maximum eligible assessment, income, net worth, State and local property tax liabilities, as well as other tax credits) effectively results in a maximum tax credit that is available to each homeowner. Due to this maximum credit amount, the amount of the local tax credit supplement will usually decrease as the amount of the State tax credit increases, as the amount of the State tax credit is applied first. However, to the extent that more homeowners become eligible for the Homeowners' Property Tax Credit Program, local governments that provide a supplement to the State homeowners' property tax credit will realize a decrease in revenues.

Additional Information

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

Designated Cross File: None.

Information Source(s): U.S. Census Bureau; Maryland Association of Counties; Maryland Municipal League; State Department of Assessments and Taxation; Department of Legislative Services

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