

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 603
Ways and Means

(Delegates R. Long and Mangione)

Baltimore County - Homestead Property Tax Credit Percentage

This bill requires the homestead property tax credit percentage in Baltimore County to be set at 0% for county property tax purposes. As a result, homeowners eligible for the homestead property tax credit in Baltimore County will not realize an increase in their taxable assessment for county property tax purposes. **The bill takes effect June 1, 2026, and applies to taxable years beginning after June 30, 2026.**

Fiscal Summary

State Effect: None. The bill does not apply to the State homestead property tax credit percentage and therefore will not affect State property tax revenues.

Local Effect: Baltimore County property tax revenues decrease by approximately \$19.5 million annually in FY 2027 and 2028 which reflects the first two years of implementation. Future year revenues could decrease by a greater amount depending on rising property assessments. County expenditures are not directly affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

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%. The homestead assessment cap in Baltimore County is set at 4%. **Exhibit 1** lists the county assessment caps for fiscal 2025 through 2027.

Subject to submitting a specified application to the State Department of Assessments and Taxation 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.

Exhibit 1
County Assessment Caps

County	FY 2025	FY 2026	FY 2027
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	3%	3%	3%
Harford	5%	5%	5%
Howard	5%	5%	5%
Kent	5%	5%	5%
Montgomery	10%	10%	10%
Prince George's	3%	3%	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%	0%

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

Property Assessment Increases

The real property tax base in Baltimore County is projected to increase by \$4.9 billion in fiscal 2027, after accounting for the homestead property tax credits. This represents a 4.6% annual increase in taxable assessments. As shown in **Exhibit 2**, the real property tax base in Baltimore County has realized modest growth since fiscal 2020, with higher growth rates in more recent years. Additional information on property tax assessments is provided in the [Local Government Overview Report](#), which charts the triennial change in the full cash value for each assessment group since 2017.

Exhibit 2
Baltimore County Real Property Tax Base
Annual Percent Change

FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27
3.2%	3.1%	2.9%	3.0%	3.5%	4.5%	5.1%	4.6%

Source: State Department of Assessments and Taxation

Local Fiscal Effect: Baltimore County property tax revenues decrease by approximately \$19.5 million annually in fiscal 2027 and 2028 which reflects the first two years of implementation. Future year revenues could decrease by a greater amount depending on rising property assessments.

Currently, the Baltimore County Council has set the homestead property tax credit percentage at 4%, which caps the annual increase in the taxable assessment of owner-occupied dwellings to 4% a year. Approximately 45% of real property taxable accounts in the county receive the homestead property tax credit. Based on fiscal 2027 assessment data, the 4% homestead cap will result in a \$5.0 billion reduction in the county's property tax base, from \$116.6 billion to \$111.6 billion. The associated revenue loss from the lower property tax base at the current county property tax rate (\$1.10 per \$100 of assessment) is projected to total \$54.6 million.

Requiring that the county council set the homestead property tax credit percentage at 0%, would further reduce the county's property tax base by an additional \$1.8 billion. The associated revenue loss from this lower homestead property tax credit percentage (using the current county property tax rate) is projected to total approximately \$19.5 million.

As a 0% homestead property tax credit percentage would basically freeze a homeowner's property tax assessment at the current level, the fiscal impact on county revenues would significantly increase in future years, particularly in periods of rising property values. This potential impact can be illustrated by reviewing the current fiscal impacts in two counties with lower homestead property tax credit percentages: Anne Arundel County – 2% assessment cap, and Talbot County – 0% assessment cap. Based on fiscal 2026 assessment data, the local homestead assessment cap resulted in a 11.3% reduction in the property tax base in Anne Arundel County and a 13.6% reduction in Talbot County. However, the higher homestead assessment cap in Baltimore County limited the reduction in the property tax base to 3.6%. Based on the experience in both Anne Arundel and Talbot counties, the longer the time period that Baltimore County imposes a lower homestead assessment cap, the greater the reduction to the county's property tax base.

Additional information on the homestead property tax credit program and the fiscal impact on county governments is provided in the [Local Government Overview Report](#).

Potential to Mitigate Revenue Loss

Any revenue decrease resulting from a lower homestead assessment cap can be mitigated through higher property tax rates. A 1.0 cent increase in the county's property tax rate is projected to generate approximately \$11 million annually. Therefore, to fully offset the projected revenue loss, the county government may be required to raise the county property tax rate by 1.75 cents in fiscal 2027. This higher property tax rate would be imposed on all real property tax accounts, including those that do not benefit from the homestead property tax credit program.

Information on local tax rates and revenue collections for each county government is provided in the [County Revenue Outlook Report](#). A copy of the report is available on the Department of Legislative Services [website](#).

Additional Information

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

Designated Cross File: None.

Information Source(s): Baltimore County; State Department of Assessments and Taxation; Department of Legislative Services

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