

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1273
Ways and Means

(Delegate Miller)

Maryland Homeowner Protection and Homestead Tax Credit Portability Act of
2026

This bill alters the homestead property tax credit program by (1) reducing the maximum homestead property tax credit percentage to 5% for State, county, and municipal tax purposes; and (2) providing for the portability of an existing homestead tax credit when an individual purchases a new dwelling. The State Department of Assessments and Taxation (SDAT) may adopt regulations to implement the provisions of the bill. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: Annuity Bond Fund (ABF) revenues decrease by a significant amount beginning in FY 2027. Based on one set of assumptions, ABF revenues decrease by approximately \$9.0 million in FY 2027. Future year revenues could decrease by a greater amount depending on rising property assessments.

Local Effect: Local government property tax revenues decrease by a significant amount beginning in FY 2027. Based on one set of assumptions, local property tax revenues may decrease by \$42.7 million in FY 2027 and by \$125.0 million in FY 2031. The potential revenue loss in future years could be even higher depending on rising property assessments. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The homestead credit portability adjustment represents the homestead tax credit for the homeowner's previous dwelling. Under the bill, that amount will be subtracted from the assessment of the homeowner's new dwelling. The homestead credit

portability adjustment applies in each taxable year in which the homeowner receives the homestead credit for the homeowner's new dwelling and may not exceed \$500,000 of the assessment of the new dwelling.

SDAT must modify the homestead tax credit application as necessary to determine an applicant's eligibility for the homestead credit portability adjustment. A homeowner must apply for the homestead credit portability adjustment on the homestead credit application form.

Current Law:

Homestead Property Tax Credit Program

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 the county assessment caps for fiscal 2025 through 2027.

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.

Exhibit 1
County Assessment Caps

<u>County</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
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 across the State is projected to increase by \$44.5 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 the State 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 County Real Property Tax Base Annual Percent Change

<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
3.4%	3.0%	3.0%	3.6%	4.7%	5.7%	5.8%	4.6%

State Fiscal Effect: ABF revenues decrease by a significant amount beginning in fiscal 2027. Based on one set of assumptions, ABF revenues decrease by approximately \$9.0 million in fiscal 2027. Future year revenues could decrease by a greater amount depending on rising property assessments, as discussed.

Reduce State Homestead Percentage to 5%

ABF revenues could decrease by approximately \$8.2 million annually due to the lower homestead property tax assessment cap. Under current law, the 10% homestead assessment cap reduces the State property tax base by approximately \$4.4 billion. By lowering the homestead assessment cap to 5%, a larger portion of the property tax base across the State would not be taxable for State purposes. Based on fiscal 2027 assessment data, it is projected that the State property tax base would be reduced by an additional \$7.3 billion by imposing a 5% assessment cap.

Homestead Credit Portability Adjustment

Enabling homeowners to use the homestead tax credit from their previous dwelling when they purchase a new dwelling will result in a significant decrease in State revenues. Under current law, homestead tax credits do not transfer from one dwelling to another, and each new homeowner receives a new property assessment upon transfer of the property. The amount of the revenue decrease resulting from the homestead credit portability adjustment

will depend on the number of current homeowners in the State that purchases a new home and the existing homestead tax credit from their previous dwelling.

Based on one set of assumptions, ABF revenues could decrease by approximately \$0.8 million in the first year of implementation and by \$2.4 million in the third year of implementation. Future year revenue decreases could be considerably higher, depending on the number of home sales each year and the increase in property assessments. The estimate is based on the following facts and assumptions:

- SDAT reports that there were 54,046 home sales in Maryland in fiscal 2024;
- the State homestead tax credit amount ranges from \$5,200 in Allegany County to \$27,672 in Anne Arundel County;
- the county homestead tax credit amount ranges from \$9,312 in Harford County to \$149,380 in Talbot County;
- 25% of home purchases are made by first-time homebuyers;
- the State real property tax rate is \$0.112 per \$100 of assessment, and current county real property tax rates range from \$0.8032 per \$100 of assessment in Talbot County to \$2.248 per \$100 of assessment in Baltimore City; and
- the number of homes purchased each year remains constant.

To the extent the homestead credit portability adjustment and the number of home sales varies from the estimate, the effect on special fund revenues will vary accordingly.

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 2027 budget assumes \$1.3 billion in State property tax revenues to the ABF. In addition, \$177.7 million in general funds and \$0.8 million in federal funds are budgeted to the ABF, since the State property tax rate is not set high enough to cover the full cost of the debt service payments on the State's GO bonds.

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: County property revenues decrease by a significant amount beginning in fiscal 2027. Based on one set of assumptions, local property tax revenues may

decrease by \$42.7 million in fiscal 2027 and by \$125.0 million in fiscal 2031. The potential revenue loss in future years could be even higher depending on rising property assessments.

Reduce County Homestead Percentage to 5%

The bill reduces the maximum county homestead credit percentage to 5%. As shown in Exhibit 1, only four counties – Calvert, Charles, Montgomery, and Somerset have a homestead credit percentage higher than 5%. As a result, property tax revenues in these four counties could decrease by \$22.7 million annually due to the lower homestead property tax assessment cap as shown in **Exhibit 3**.

Exhibit 3
Reduction in Property Tax Revenues
Fiscal 2027

<u>County</u>	<u>Total Revenue Loss</u>	<u>Per Capita Loss</u>
Calvert	\$916,700	\$9.66
Charles	1,604,500	9.20
Montgomery	19,936,100	18.42
Somerset	204,300	8.09
Total	\$22,661,600	

Homestead Credit Portability Adjustment

Local government revenues decrease by a significant amount beginning in fiscal 2027 due to homeowners using the homestead credit portability adjustment to lower the assessment on their new dwelling. Based on the data and assumptions used to estimate the State fiscal effect, it is estimated that local property tax revenues may decrease by approximately \$20.0 million in the first year of implementation and by approximately \$60.0 million in the third year of implementation. Future year revenue decreases could be considerably higher. **Exhibit 4** shows the average county homestead tax credit amount for each jurisdiction in fiscal 2025 and the corresponding average property tax loss for each homestead tax credit.

**Exhibit 4
Homestead Tax Credit Amount
FY 2025**

<u>County</u>	<u>Average Homestead Credit</u>		<u>County Tax Rate</u>	<u>Revenue Loss</u>	
	<u>State</u>	<u>County</u>		<u>State</u>	<u>County</u>
Allegany	\$5,200	\$12,460	\$0.9750	\$6	\$121
Anne Arundel	27,672	100,114	0.9770	31	978
Baltimore City	19,345	26,835	2.2480	22	603
Baltimore	12,761	22,849	1.1000	14	251
Calvert	9,762	9,762	0.9670	11	94
Caroline	14,700	24,721	0.9800	16	242
Carroll	12,754	20,855	1.0180	14	212
Cecil	9,624	13,127	0.9824	11	129
Charles	12,440	18,543	1.2050	14	223
Dorchester	15,841	13,703	1.0300	18	141
Frederick	12,886	30,183	1.1100	14	335
Garrett	26,213	24,551	1.0200	29	250
Harford	11,099	9,312	0.9779	12	91
Howard	14,937	28,003	1.2500	17	350
Kent	13,206	15,752	1.0220	15	161
Montgomery	26,369	26,369	1.0392	30	274
Prince George's	16,409	94,238	1.3740	18	1,295
Queen Anne's	12,769	23,162	0.8300	14	192
St. Mary's	9,773	24,910	0.8478	11	211
Somerset	14,370	14,370	1.0000	16	144
Talbot	17,184	149,380	0.8032	19	1,200
Washington	14,175	26,569	0.9280	16	247
Wicomico	11,516	20,562	0.8099	13	167
Worcester	25,554	52,433	0.8150	29	427

Any revenue decrease resulting from the changes to the homestead property tax credit can be mitigated through higher property tax rates. A 1 cent increase in county property tax rates is projected to generate approximately \$100.9 million annually statewide, as shown in **Exhibit 5**. The exact impact on local property tax rates will vary by jurisdiction.

Exhibit 5
County Real Property Assessable Base
Fiscal 2027

<u>County</u>	<u>Total Real Assessable Base</u>	<u>\$.01 Increase in Tax Rate</u>
Allegany	\$4,636,680,000	\$463,668
Anne Arundel	105,231,237,000	10,523,124
Baltimore City	52,039,638,000	5,203,964
Baltimore	111,434,675,000	11,143,468
Calvert	15,735,661,000	1,573,566
Caroline	3,636,575,000	363,658
Carroll	27,221,668,000	2,722,167
Cecil	14,249,449,000	1,424,945
Charles	27,397,655,000	2,739,766
Dorchester	4,008,746,000	400,875
Frederick	50,931,077,000	5,093,108
Garrett	7,165,462,000	716,546
Harford	37,619,837,000	3,761,984
Howard	70,900,919,000	7,090,092
Kent	3,674,465,000	367,447
Montgomery	252,294,842,000	25,229,484
Prince George's	129,406,507,000	12,940,651
Queen Anne's	11,905,662,000	1,190,566
St. Mary's	16,319,130,000	1,631,913
Somerset	2,024,831,000	202,483
Talbot	9,551,382,000	955,138
Washington	18,572,453,000	1,857,245
Wicomico	9,423,448,000	942,345
Worcester	23,459,953,000	2,345,995
Total	\$1,008,841,954,000	\$100,884,195

Source: State Department of Assessments and Taxation

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 Comments: It is important to note that the estimate for the homestead credit portability adjustment in this fiscal and policy note is based on one year's sales data, fiscal 2024, and that several factors including fluctuations in the real estate market, the number of home sales, the number of homeowners who may or may not receive the homestead property tax credit, and annual property tax assessments can impact the year-to-year revenue effect of the bill.

Additional Information

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

Designated Cross File: None.

Information Source(s): Maryland Municipal League; State Department of Assessments and Taxation; Department of Legislative Services

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js/hlb

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