

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1127
Ways and Means

(Delegate Wivell, *et al.*)

Washington County - Homestead Property Tax Credit - Eligible Properties

This bill expands the eligibility for the homestead property tax credit in Washington County by enabling certain homeowners to claim the tax credit for an additional residence. Under current law, the property tax credit is only available to a property owner's principal residence. The bill defines a Washington County additional residence as a house located in Washington County and the lot or curtilage on which the house is erected, and includes: (1) a condominium unit of an individual who has a legal interest in the condominium; (2) an apartment in a cooperative apartment corporation of 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 residence by an individual who has a legal interest in the real property. **The bill takes effect June 1, 2026, and applies to taxable years beginning after June 30, 2026.**

Fiscal Summary

State Effect: Annuity Bond Fund (ABF) revenues decrease beginning in FY 2027. Under one set of assumptions, the revenue decrease could total \$39,500 annually. State expenditures are not affected.

Local Effect: Washington County property tax revenues decrease by a significant amount beginning in FY 2027. Under one set of assumptions, county property tax revenues decrease by \$613,200 annually. This revenue loss could be significantly higher as discussed below. Expenditures are not affected. **This bill may impose 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%. **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 (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](#).

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

State Fiscal Effect: ABF revenues decrease beginning in fiscal 2027 depending on the number of additional residences that become eligible for the homestead property tax credit.

SDAT reports that approximately 21,200 homeowners currently receive the homestead property tax credit in Washington County and that there are 46,031 residential real property accounts, as shown in **Exhibit 2**. Based on this data, there are 24,870 residential real property accounts in the county that are not currently receiving the homestead property tax credit. **Exhibit 3** shows the average homestead property tax credit for State and county purposes for fiscal 2025 as well as the value of the property tax credit, based on the county real property tax rate of \$0.928 per \$100 of assessment and the State property tax rate of \$0.112 per \$100 of assessment.

Exhibit 2
Residential Property Accounts and Homestead Property
Tax Credit Recipients – Washington County
Fiscal 2026

Homestead Recipients	Residential Accounts
21,161	46,031

Source: State Department of Assessments and Taxation

Exhibit 3
Average State and County Homestead Property
Tax Credits – Washington County
Fiscal 2025

Average County Homestead	Average State Homestead	County Homestead Value	State Homestead Value
\$26,569	\$14,175	\$247	\$16

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

If, for illustrative purposes, 10% of the residential properties in the county that are not receiving the homestead property tax credit qualify as an additional residence under the bill, State property tax revenues decrease by approximately \$39,500 as shown in **Exhibit 4**. If additional properties qualify for a homestead property tax credit, State revenues could decrease by a significantly higher amount. For example, if 25% of the residential properties in the county that are not receiving the homestead property tax credit qualify as an additional residence under the bill, State property tax revenues could decrease by over \$98,700 annually.

Exhibit 4
Potential State and County Revenue Decrease

State Revenue Decrease	Washington County Revenue Decrease
\$39,484	\$613,196

Source: Department of Legislative Services

Local Fiscal Effect: Washington County property tax revenues decrease by a significant amount beginning in fiscal 2027 depending on the number of additional residences that receive the homestead property tax credit. Based on the data and assumptions used to estimate the State fiscal effect, local property tax revenues may decrease by approximately \$613,200 annually beginning in fiscal 2027, as shown in Exhibit 4. This estimate is based on 10% of the residential properties in the county that are not currently receiving the homestead property tax credit becoming eligible as an additional residence under the bill. If additional properties qualify for a homestead property tax credit, local revenues could decrease by a significantly higher amount. For example, if 25% of the residential properties in the county that are not receiving the homestead property tax credit qualify as an additional residence under the bill, local property tax revenues could decrease by over \$1.5 million annually.

Additional Information

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

Designated Cross File: None.

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

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js/hlb

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