

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1427 (Delegate Ruth)
Ways and Means

Property Tax Credits - Renters' Tax Credit, Homeowners' Tax Credit, and
Homestead Tax Credit - Altering Eligibility and Amount

This bill alters the calculations for the Renters' Property Tax Relief and Homeowners' Property Tax Credit programs. In addition, the bill prohibits a homeowner from receiving the homestead property tax credit if their federal adjusted gross income is greater than \$300,000. **The bill takes effect June 1, 2027, and applies to taxable years beginning after June 30, 2027.**

Fiscal Summary

State Effect: General fund expenditures for the homeowners' and renters' property tax credits increase by a significant amount beginning in FY 2028. Under one set of assumptions, general fund expenditures increase by at least \$100 million annually, once the bill's provisions are fully phased-in. Potential increase in State property tax revenues due to fewer individuals becoming eligible for the homestead property tax credits beginning in FY 2028.

Local Effect: Potential increase in local property tax revenues due to fewer individuals becoming eligible for the homestead property tax credits beginning in FY 2028. 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

Bill Summary: The bill makes the following changes to the calculations of the renters' property tax credit and the homeowners' property tax credit. The bill also prohibits a homeowner from receiving the homestead property tax credit if their federal adjusted gross income is greater than \$300,000.

Renters' Property Tax Relief Program

The bill alters the calculation for the Renters' Property Tax Relief Program by modifying three eligibility criteria: (1) increases the percentages applied to the combined income that are used to calculate the property tax limit (phased-in over three years); (2) increases the income limit for program recipients from 100% to 200% of the federal poverty threshold; and (3) increases the maximum property tax relief that can be provided to program recipients from \$1,000 to \$2,000 (phased-in over three years).

Homeowners' Property Tax Credit Program

The 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 \$88,000 (phased-in over four years); and (2) changes the percentages applied to the combined gross income used to determine the property tax limit (phased-in over four years).

Homestead Property Tax Credit Program

The bill prohibits a homeowner from receiving the homestead property tax credit if their federal adjusted gross income is greater than \$300,000.

Current Law:

Renters' Property Tax Relief Program

The Renters' Property Tax Relief Program provides financial assistance for elderly, disabled, and certain low-income renters from the cost attributable to State and local real property taxes. The concept behind the program is that renters indirectly pay property taxes as part of their rent and, thus, should have some protection, as do homeowners. The program makes payments directly to eligible renters to provide relief for the "assumed property tax" that renters indirectly pay as part of their rent. The fiscal 2027 State budget includes \$3.1 million in funding for the program.

The program is based on an “assumed property tax bill” equal to 15% of rent paid. As under the Homeowners’ Property Tax Credit Program, qualification is based on a sliding scale of assumed property tax liability and income. If the portion of rent attributable to the assumed property taxes exceeds a fixed amount in relation to income, the renter can, under specified conditions, receive a maximum credit of \$1,000. A renter’s combined net worth cannot exceed \$200,000.

The amount of the property tax credit is the difference between the assumed 15% of occupancy rent 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 \$4,000 of combined income; (2) 2.5% of the next \$4,000 of combined income; and (3) 5.5% of the combined income over \$8,000.

Homeowners’ Property Tax Credit Program

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.

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:

Renters' Property Tax Relief Program

General fund expenditures for the Renters' Property Tax Relief Program increase by a significant amount beginning in fiscal 2028. Based on recent applications received for the property tax credit, general fund expenditures could increase by at least \$5 million annually, once the bill's provisions are fully phased in. The estimate is based on the following data provided by SDAT:

- on average 11,100 annual applications for the property tax credit;
- on average 6,600 applications become eligible for the property tax credit;
- the average renters' property tax credit is \$436
- \$3.1 million in funding for FY 2027.

The significant increase in State expenditures is due to expanding program eligibility to include individuals (under the age of 60 years) with a gross income of up to 200% of the federal poverty threshold. For an individual, this increases the income eligibility from \$15,960 to \$31,920; for a family of 3, the income eligibility increases from \$27,320 to \$54,640. Another contributing factor is the adjustment to the maximum property tax relief that can be provided to a recipient, from \$1,000 to \$2,000 when the legislation is fully phased in. At present, the average recipient receives only \$436 in assistance from the

program. However, by raising the income eligibility threshold, it is projected that the average payment under the program will increase.

Homeowners' Property Tax Credit Program

General fund expenditures for the Homeowners' Property Tax Credit Program increase by a significant amount beginning in fiscal 2028. Based on recent applications received for the property tax credit, general fund expenditures could increase by at least \$95 million annually, once the bill's provisions are fully phased in. 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 is consistent with household income data from the U.S. Census Bureau. According to the 2024 American Community Survey, approximately 15% of households within Maryland have an income level between \$60,000 and \$88,000. 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 \$1,450, which almost equals the average tax credit amount for current recipients.

Homestead Property Tax Credit Program

Potential increase in State property tax revenues due to fewer individuals becoming eligible for the homestead property tax credits beginning in fiscal 2028. According to the Income Tax Summary Report for Tax Year 2024 (prepared by the Comptroller's Office), approximately 150,000 tax returns had a federal adjusted gross income exceeding \$300,000. Under the bill, these individuals would no longer be eligible to receive the homestead property tax credit which provides an annual assessment cap for owner-occupied properties.

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

Local Fiscal Effect: Potential increase in local property tax revenues due to fewer individuals becoming eligible for the homestead property tax credits beginning in
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fiscal 2028. 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.

Homestead Property Tax Credit Program

Potential increase in local property tax revenues due to fewer individuals becoming eligible for the homestead property tax credits beginning in fiscal 2028. Jurisdictions with a concentration of higher income residents will be more affected. Statewide, approximately 150,000 tax returns had a federal adjusted gross income exceeding \$300,000. Several counties, including Anne Arundel, Howard, Montgomery, Queen Anne's, and Talbot, have a higher concentration of affected residents and will realize a larger share of the potential revenue increase.

Homeowners' Property Tax Credit Program

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; Comptroller's Office; State Department of Assessments and Taxation; Department of Legislative Services

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