



**DEPARTMENT OF  
ASSESSMENTS AND TAXATION**

*Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Michael L. Higgs, Jr., Director*

**DATE:** February 6, 2020

**BILL NUMBER:** HB 411

**COMMITTEE:** Ways and Means

**BILL TITLE:** Homestead Property Tax Credit – Calculation of Credit for Dwelling Purchased by First-Time Homebuyer

**SDAT POSITION:** Letter of Information

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The State Department of Assessments and Taxation (SDAT) offers the following information for House Bill 411, a bill that enables a first-time homebuyer in the state to receive the homestead property tax credit for a newly purchased home through the use of a “homestead credit carryover amount.” The bill provides for the calculation of the property tax credit as well as the phase-out of the homestead credit carryover amount. If the proposed legislation were to be enacted, it would take effect June 1, 2020, and be applied to all taxable years beginning July 1, 2020.

The Department appreciates the intent of the proposed legislation. SDAT advises that it would be impossible to implement this new program by the timeline suggested by the legislation, as it would require an update to the Department’s real property database. SDAT’s vendor typically performs updates due to new legislation at a reduced cost. However, it may require months of studying the necessary changes to be made before an accurate timeline can be developed. The Department would incur additional costs if it attempted to speed up this timeline, although implementation does depend on jurisdictions first authorizing this program.

To administer, the Department would require first-time homebuyers to submit certain documents filed at closing along with their homestead tax credit application. Based on the number of jurisdictions that authorize this program, the Department would require two grade ten auditors to verify the compliance and first-time homeownership in Maryland at the cost of \$122,603 for FY21. The Department estimates an additional \$9,780 in one-time start-up costs and ongoing operating expenses of \$1,270 per fiscal year.

In addition, SDAT could incur significant unknown computer programming costs to reprogram its tax system to allow for the carryover of the homestead property tax credit from one homeowner to another.

*Office of the Director*

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