



Montgomery County

Office of Intergovernmental Relations

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HB 1200

DATE: March 3, 2020

SPONSOR: Delegate Luedtke

ASSIGNED TO: Ways and Means

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POSITION: SUPPORT WITH AMENDMENT (Montgomery County Department of Finance)

Property Tax – Credit to Offset Increases in Local Income Tax Revenues – Eligibility

Montgomery County supports the goal of House Bill 1200 to strengthen the process for verifying eligibility for income tax offset credits (ITOCs). This is a credit that was created in 1992 as a local option to offset increases in the county or municipal corporation property tax from increases in local income tax revenues generated when the local piggyback tax was increased from 50% to 60% of State income tax liability. The ITOC was revised again in 2001 to reflect a restructuring of the local income tax to a rate system which would be applied directly to net taxable income. Montgomery County has offered this credit since its inception. Currently, the amount is set at \$692.

Under existing law, ITOC eligibility is restricted to the owner-occupied property of a homeowner. House Bill 1200 adds an additional qualifier by requiring that the homeowner must also have a Homestead Property Tax Credit application on file with the State Department of Assessments and Taxation. In order to qualify for a Homestead Credit, like the ITOC, a property must be owner occupied. Verification of eligibility for the Homestead Credit involves a cross checked system that may not be flawless but will generally identify ineligibility.

The Montgomery County Department of Finance does have an ITOC eligibility verification system in place. It uses rental license information provided by the County's Department of Housing and Community Affairs and multiple listing service information to help identify inconsistencies that could establish ineligibility. The Finance Department doesn't use Homestead Credit information. That said, it is not opposed to being required to do so, if the effective date is delayed to allow ample time to notify taxpayers of the change in the law. The Finance Department advises that there may be many owner-occupied properties in the County whose homeowners are legitimately receiving ITOCs – but those homeowners may not have a Homestead Credit application on file for one reason or another. By amending the bill to allow for a one- or two-year delay in the effective date, there would be time to notify taxpayers about the change in the law, thus avoiding taxpayer confusion and the filing of unnecessary appeals.