



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

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Lieutenant Governor

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SENATE BILL 593 Property Tax - Homeowners' Property Tax Credit - Calculation and Refunds (Zucker, et al)

STATEMENT OF INFORMATION

DATE: February 17, 2021

COMMITTEE: Senate Budget & Taxation

SUMMARY OF BILL: SB 593 excludes the amount of any property tax credit from the calculation of the "total property tax" in connection with the Homeowners' Property Tax Credit Program, requires a refund to homeowners who participated in the Program that dates back to FY 2018 based on this recalculation, and makes the recalculation permanent. The refund is made from the Local Reserve Account and mandates an annual appropriation in FY 2023-FY 2028 to repay the Local Reserve Account in six equal installments. The refund is excluded from being considered as income in FY 2022 for purposes of calculating income eligibility under the Program.

EXPLANATION: The Department of Budget and Management's (DBM) focus is not on the underlying policy proposal being advanced by the legislation, but rather on the increase in entitlement spending of approximately \$12 million. The State reimburses local governments for the costs of the Homeowners' Property Tax Credit Program, the total cost of which is in excess of \$60 million.

DBM has the responsibility of submitting a balanced budget to the General Assembly annually, which requires spending allocations for FY 2022 to be within the official revenues estimates approved by the Board of Revenue Estimates in December 2020.

Economic conditions remain precarious as a result of COVID-19, making revenue predictions for the remainder of FY 2021 and FY 2022 highly volatile. Many individuals and households are unemployed or underemployed, with many industry sectors operating at much less than 100% capacity. Federal stimulus programs are providing much needed relief, but the impact of the COVID-19 pandemic continues to present a significant budgetary vulnerability.

The General Assembly and Administration have successfully enacted the Governor's emergency Recovery for the Economy, Livelihoods, Industries, Entrepreneurs, and Families Act (SB 496 RELIEF Act), which provides \$1.2 billion in direct stimulus and tax relief for Maryland working families, small businesses, and those who have lost their jobs as a result of the COVID-19 pandemic. It is incumbent upon us to allow the impact of this unprecedented relief package on the State's economy to take effect. Further mandated spending increases need to be reevaluated within the context of an ongoing pandemic.

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