



**DEPARTMENT OF
ASSESSMENTS AND TAXATION**

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

DATE: March 2, 2021

BILL NUMBER: HB1255

COMMITTEE: Ways and Means

BILL TITLE: Homestead and Homeowners' Property Tax Credits - Access and Eligibility

SDAT POSITION: Letter of Information

The State Department of Assessments and Taxation (SDAT) offers the following information for HB1255, a bill that would require the Department to provide a one-page application for the Homestead Tax Credit to be included as an addendum to a contract for sale of residential real property, allow for homeowners 60 years or older to apply for prior years' tax credits, change the Department's definition of gross income to align with the Maryland Adjusted Gross Income as used by the Comptroller's Office, require the Department to contract with a usability consultant to review all public informational materials and forms for the Homestead and Homeowners' Property Tax Credits, and require the Department to submit a report on the consultant's findings on or before February 1, 2021.

Creating a one-page addendum

The Department recommends that this section be amended so the Homestead Application remains two pages. The Department occasionally receives complaints from homeowners that the current font type is too small to read, and making the application one page would require an even smaller font.

Allowing homeowners 60 years or older to apply for prior years' credits

Current law allows for homeowners 70 years or older to apply for prior years' tax credits, and this legislation would change eligibility to age 60 years or older. The Department is unable to estimate the fiscal impact of this change, but it would likely be \$1-5 million annually. In addition, SDAT would need one additional grade 8 processor due to the expected increase in applications.

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Changing the definition of gross income to align with Adjusted Gross Income

The majority of homeowners who are currently eligible for the Homeowners' Tax Credit report non-taxable income, which reduces their homeowners' tax credit under current law. Using the Adjusted Gross Income definition, the majority of this income would not be included as part of the calculation, significantly increasing the size of homeowners' tax credits. The majority of recipients report receiving social security income, and sources estimate that in Maryland the average annual social security benefit is \$19,412 per year. If social security income is not included as part of the calculation, the Department estimates that state general fund expenditures would increase by approximately \$50 million per year.

Hiring a usability consultant

Sources suggest that a usability consultant would cost between \$12,000 and \$18,000, which would increase general fund expenditures.

This Act shall be applicable to all taxable years beginning after June 30, 2021 and February 1, 2021 is the deadline for report submission

SDAT advises that the effective date should be changed. This bill is applicable beginning in FY22, which corresponds to the current 2021 tax credit season. The Department cannot change a calculation methodology part-way through a year.

As February 1, 2021 has already passed, the deadline for the Department to submit its report should be changed.

For these reasons, SDAT would like the committee to strongly consider the information presented as the committee deliberates HB1255.

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