



**DEPARTMENT OF
ASSESSMENTS AND TAXATION**

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

DATE: March 2, 2021

BILL NUMBER: HB1234

COMMITTEE: Ways and Means

BILL TITLE: Homeowners' Property Tax Credit – Eligibility and Automatic Renewal

SDAT POSITION: Letter of Information

The State Department of Assessments and Taxation (SDAT) offers the following information for HB1234, a bill that requires the Department to change the definition of gross income to align with the Maryland Adjusted Gross Income as used by the Comptroller's Office, and automatically renew the Homeowners' Tax Credit in subsequent years, absent notification that any income information has changed.

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.

Automatically renewing the Homeowners' Tax Credit in subsequent years

The Department is concerned about the timeline for the automatic renewal process. It is likely that the Department will not be notified of any decreases in homeowners' income until after the tax credit is paid. Therefore, the Department's audit team will have to contact homeowners and ask them to reimburse the state for payments already made. This will increase state and county expenditures.

For these reasons, SDAT would like the committee to strongly consider the information presented as the committee deliberates HB1234.

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