



**DEPARTMENT OF
ASSESSMENTS AND TAXATION**

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

DATE: February 2, 2021

BILL NUMBER: HB0557

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

The State Department of Assessments and Taxation (SDAT) offers the following information for House Bill0557, 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, 2021, and be applied to all taxable years beginning June 30, 2021.

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 10 auditors to verify the compliance and first-time homeownership in Maryland at the cost of \$122,603 for FY22. 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. The Department would require additional funds for FY22.

Office of the Director

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For these reasons, SDAT would like the committee to consider this information as the committee deliberates HB0557.

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