

SDAT_SB0340_Support.pdf

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HEARING DATE: January 24, 2024

BILL: SB0340

TITLE: Property Tax - Credit to Offset Increases in Local Tax Revenue.

SDAT POSITION: SUPPORT

The Department of Assessments and Taxation supports Senate Bill 340 - Property Tax - Credit to Offset Increases in Local Tax Revenue. This legislation would extend the effective date of HB 1200 (2020) which used applications for the Homestead tax credit to verify eligibility for local income tax offset credits (ITOCs).

The Department is continuing to update its IT systems to accommodate the increased volume of applications for the Homestead Tax Credits. Furthermore, the Department has received an influx of inquiries from concerned residents who are receiving property tax bills that do not include this year's ITOC and seek to claw back the previous year's ITOC. Many residents in jurisdictions that have implemented HB 1200 are still unaware that they are required to have a Homestead Tax Credit application on file to receive their local ITOC.

Senate Bill 340 would give any jurisdiction that implemented HB 1200 the option to extend the effective date of the bill to 2025, from 2022, allowing more time to educate the public and process the influx of Homestead Tax Credit applications.

Accordingly, the department requests a **FAVORABLE** report on Senate Bill 340.

SB340 King Sponsor Testimony.pdf

Uploaded by: Senator Nancy King

Position: FAV

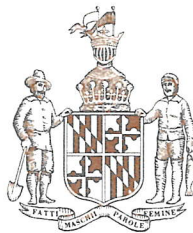
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SPONSOR STATEMENT

Senate Bill 340 – Property Tax – Credit of Offset Increases in Local Tax Revenue

January 24, 2024

Mister Chairman and Members of the Budget and Taxation Committee:

Currently, local governments are authorized to grant the Income Tax Offset Credit (ITOC) against their local property tax imposed on real property to offset increases in local income tax revenues resulting from a county income tax rate that is greater than 2.6%.

Under a law passed in 2020, in order to be eligible for the ITOC, owners of residential properties are required to file a Homestead Property Tax Credit Application with the Maryland State Department of Assessments and Taxation (SDAT). This measure ensured that county funds committed to this tax credit were being issued only to principal residents, where in the past, money would be issued to investment properties and second homes. The 2020 bill took effect June 1, 2022, and applies to taxable years beginning after June 30, 2022.

Senate Bill 340 will enable counties who wish to extend the application of the prior legislation to begin after June 30, 2022 but before July 1, 2025, allowing those residents additional time to file their Homestead Property Tax Credit Application.

I respectfully request a favorable report on Senate Bill 340.