



House Bill 128

Homestead Tax Credit – Eligibility Verification and Application - Extension

MACo Position: **SUPPORT**
WITH AMENDMENTS

To: Ways and Means Committee
From: Andrea Mansfield

Date: February 14, 2013

The Maryland Association of Counties (MACo) **SUPPORTS HB 128 WITH AMENDMENTS**. This bill would extend the application deadline for the Homestead Property Tax Credit from December 31, 2012 to June 1, 2013.

The Homestead Tax Credit is designed to give tax relief to homeowners by capping the amount of the annual assessment for property tax purposes. The State Homestead Credit caps the increase of the annual assessments at 10%. Local governments have the authority to set the tax cap below the 10% level. To receive the Homestead Credit, the homeowner must use the home or “dwelling” as the principal place of residence and the homeowner must occupy the dwelling for more than 6 months of a 12 month period.

To ensure that the credit was being applied for primary residences only, 2007 legislation Ch.565 Acts of 2007, created a simple application process through the income tax form or other means, to establish a homeowner’s claim of a property as “owner occupied” for purposes of the Homestead Tax Credit program. Until this process was put in place, a substantial number of properties were enjoying this tax credit without actually qualifying under the law, such as rental properties or second homes. MACo believes the General Assembly did the right thing by requiring the application. Abuse of the Homestead Credit is unfair to other taxpayers, as it depresses the tax base beyond the intent of the program.

Now that the application deadline has passed, according to the State Department of Assessments and Taxation (SDAT), approximately 1.1 million applications have been received. However, an estimated 100,000 homeowners have failed to submit their application to continue receiving the credit. HB 128 would extend this application deadline to give homeowners one last chance to do so. However, extending the deadline to June 1, 2013 would be very problematic for county governments.

Counties send out property tax bills July 1 of each year with the first half of property taxes due by September 30. The June 1 extension deadline would not provide sufficient time for SDAT to process applications and make adjustments in the tax files prior to tax bills being sent. This would result in counties making mid-year adjustments, mailing reinstatement notices and possibly refunding taxes that have already been paid for thousands of homeowners.

Over the past five years, homeowners have received notice of the need to file an application with assessment notices, as well as in July tax billings sent by the counties. Many counties sent additional notices with tax bills this past July and performed additional outreach and mailings in November of 2012. MACo believes great effort was made to notify homeowners of the application deadline. A homeowner who did not file an application by the deadline would have the opportunity to file one for the following tax year and the credit would be applied as if it remained in effect. However, if the Committee would like to provide one more opportunity for homeowners to submit their applications, we would ask that the deadline be extended to December 31, 2013 to avoid the administrative complexities associated with making changes in tax credit status mid-year.

For these reasons, MACo **SUPPORTS HB 128 WITH AMENDMENTS** and recommends the Committee issue a **FAVORABLE** report on HB 128 only **IF AMENDED** to extend the application to December 31, 2013.