House Bill 264

Homestead Property Tax Credit - Calculation of Credit for Dwelling Purchased by First-Time Homebuyer

MACo Position: **OPPOSE**

To: Ways & Means Committee

Date: February 12, 2019

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **OPPOSES** HB 264. This bill opens up property tax savings under the Homestead Property Tax Credit to be "transferrable" to new homebuyers, if it is their first home in Maryland. This dramatically undermines the longstanding purpose of the credit – to ensure stability in tax bills after the time of purchase.

Counties oppose this bill because it compromises the basic nature of the Homestead Property Tax Credit, and threatens a severe fiscal impact to county budgets. The Homestead Property Tax Credit acts to essentially cap assessments of owner-occupied residences, so that a resident's property tax burden does not increase too substantially over the prior year. It provides consistency for taxpayers who live in and own their homes. Nearly every county has exercised their authority to lower their caps, providing security to homeowners beyond that which is required by the State.

However, if the tax credit were expanded to all homes transferred to new homeowners, counties could lose up to $12 million from their most reliable revenue source by fiscal 2024, according to the bill's fiscal note. This is county revenue sorely needed to fund public safety, schools, infrastructure, and other essential services. Counties could be forced to eliminate their expansions of the Homestead Property Tax Credit altogether where feasible – or, potentially, cut budgets for crucial public services.

It deserves noting that the bill's fiscal note is based on one year's sales data, fiscal 2018, and that several factors can impact the year-to-year revenue effect of the bill. For example, the fiscal note for HB 1445 of 2018 (the earlier introduction of the current HB 264) used data from fiscal 2017 and projected local property tax revenue losses of $85 million by fiscal 2023.

HB 264 subverts the main policy goal of this longstanding and successful homeowner program and could potentially cost counties millions of dollars in revenue needed for essential local services. For these reasons, MACo urges the Committee to issue an UNFAVORABLE report on HB 264.