



House Bill 965

Homestead Tax Credit – Eligibility – Definition of Legal Interest

MACo Position: **OPPOSE**

Date: March 7, 2013

To: Ways and Means Committee

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **OPPOSES** HB 965. This bill would expand eligibility for receiving the Homestead Property Tax Credit to include a settlor, grantor, or beneficiary of a trust. In addition, the bill would allow an unusual six-year refund period.

The Homestead Property Tax Credit was deliberately designed as a targeted benefit to homeowners. The program effectively caps the amount of the annual assessment subject to property taxes. HB 965 would substantially expand the meaning of “homeowner” for these purposes, well beyond the sensible notion of the property owner of a principal residence, to include a wide range of trust arrangements. These definitions distort the intention of the program, and could promote tax-avoidance mechanisms to unfairly perpetuate the credit.

The Maryland Department of Legislative Services (DLS) fiscal note’s reference to the State’s annuity bond fund highlights this as an issue not only to local governments, but to the State. Eroding revenues dedicated to debt service results in added pressure to the State’s general fund, or to the State’s own tax rate. The fiscal effects of the bill are impossible to quantify without thorough research, but information from the fiscal note indicates an expansion to many thousands of properties, and millions of local tax dollars affected. This is unfair to homeowners who properly receive this benefit.

Further, HB 965 would be applied retroactively to the 2007 tax year, significantly increasing the timeframe in which refunds may be sought for State and local taxes. Under current law, property tax refunds may be sought for no more than three years. MACo believes this is a reasonable timeframe and a justification does not exist for this expansion.

MACo has supported efforts to ensure that only eligible homeowners benefit from the Homestead Property Tax Credit and would encourage efforts to strengthen the process for *verifying* eligibility; not expanding eligibility to a poorly-defined range of individuals without a legal interest in the property.

Therefore, MACo urges the Committee to issue an **UNFAVORABLE** report on HB 965.