



House Bill 1200

Property Tax - Credit to Offset Increases in Local Income Tax Revenues - Eligibility

MACo Position: **SUPPORT**

To: Ways and Means Committee

Date: March 3, 2020

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** HB 1200. This bill alters the eligibility criteria for a property tax credit that local governments are authorized to provide homeowners in order to offset increases in local income tax revenues. Under the bill, in order to remain eligible for the property tax credit, the homeowner must have an application for the homestead property tax credit on file with the State Department of Assessments and Taxation.

Under current law, a substantial number of properties are enjoying this tax credit without actually qualifying under the law, such as rental properties or second homes. Permitting those with second homes and rental properties to benefit from this credit is unfair to eligible homeowners and simply permits some to avoid paying their share of property taxes.

Counties and municipalities are authorized to grant a property tax credit against the county or municipal property tax imposed on real property in order to offset increases in local income tax revenues resulting from a county income tax rate in excess of 2.6%. The credit is only available for owner-occupied properties.

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%, and local governments may set a lower rate. To receive the Homestead Credit, the homeowner must use the home or “dwelling” as the principal place of residence and must occupy the dwelling for more than 6 months a year.

HB 1200 provides a reasonable verification mechanism to ensure that only eligible homeowners are receiving credits to offset increases in local income tax revenues.

Accordingly, MACo urges the Committee to issue a **FAVORABLE** report on HB 1200.