



House Bill 1445

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

MACo Position: **OPPOSE**

To: Ways & Means Committee

Date: March 6, 2018

From: Barbara Zektick

The Maryland Association of Counties (MACo) **OPPOSES** HB 1445. 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.

MACo opposes 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 tax bill 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 \$85 million from their most reliable revenue source by fiscal 2023, according to the bill’s fiscal note. This is county revenue sorely needed to fund public safety, schools, infrastructure, and community 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.

MACo understands that the sponsor of HB 1445 is considering requesting an amendment to this bill to provide a county option to enable this expansion. However, it deserves noting that no county has expressed interest in implementing this. This is because it undermines the purpose of the credit’s inception, and because the extent and unpredictable nature of its fiscal impact are so substantial. Even as an option, this bill would run contrary to the program’s basic goals.

HB 1445 subverts the main policy goal of this longstanding and successful homeowner program. For these reasons, MACo urges the Committee to issue an **UNFAVORABLE** report on HB 1445.