



Senate Bill 375

Homestead Property Tax Credit – Application Requirement - Repeal

MACo Position: **OPPOSE**

To: Budget and Taxation Committee

Date: February 25, 2015

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **OPPOSES** SB 375. This bill would repeal the application requirement for the Homestead Property Tax Credit program.

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.

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. 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. Now that the timeframe has passed for homeowners who received the credit to submit a one-time application to continue a homestead property tax credit, applications will only be required when a homeowner purchases or takes ownership of a new property.

MACo believes the General Assembly did the right thing by requiring the application. It has improved the administration of the program and provides a verification mechanism to ensure only eligible homeowners are receiving the credit. Abuse of the Homestead Credit is unfair to other taxpayers, as it depresses the tax base beyond the targeted intent of the policy.

For these reasons, MACo **OPPOSES** SB 375 and urges the Committee to issue an **UNFAVORABLE** report.