Senate Bill 427

Property Tax Credit - Elderly Individuals and Veterans - Eligibility

MACo Position: **OPPOSE**

Date: February 7, 2018

To: Budget and Taxation Committee

From: Barbara Zektick

The Maryland Association of Counties (MACo) **OPPOSES** SB 427. This bill would significantly expand eligibility for a property tax credit enabled two years ago to include all elderly county residents who have lived within the county for at least 25 years.

Generally, counties appreciate when the General Assembly provides local governments with the option, but not the requirement, to enact tax credits benefitting specific individuals. However, SB 427 greatly expands the scope of a particular property credit that counties are only just starting to implement now. Expanding the reach of a fairly new credit, this much and this soon, raises questions about county authority to limit the credit to the recipients receiving it now. Additionally, it may result in pressure to extend the scope of the credits prematurely, or beyond what counties' budgets or administrative processes can realistically handle.

Chapter 498 of 2016 authorized local governments to grant, by local law, a property tax credit for a dwelling owned by an individual who is at least 65 years old and has lived in the same dwelling for at least the preceding 40 years. Harford, Howard, Montgomery, and St. Mary's have since implemented this tax credit.

For the most part, these counties experienced interest in that tax credit that far exceeded their initial projections. Counties appreciate that the credit is of benefit to their residents, but have concerns about expanding it to a much larger pool of applicants so soon after the credit's initial implementation. With more residents making use of the 2016 credit than initially anticipated, the impact of the reduction in property tax income is still being explored by county governments. Expanding the credit eligibility further widens that gap - meaning counties would have an additional deficit of property taxes to contend with when they haven't had time to adjust to the current higher-than-projected credit usage.

Further, it is unclear whether counties have authority to limit the applicability of their individual credits under this broader enabling authority. Even if they do, however, officials will most certainly receive pressure to expand their existing credits, regardless – which they simply do not have the means to accomplish at this juncture.

Counties request that they receive more time to administer this credit as-is and analyze its impacts before broadly expanding the nature and scope of this tax credit. For these reasons, MACo recommends an **UNFAVORABLE** report on SB 427.

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