

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 87

(Chair, Budget and Taxation Committee)(By Request -
Departmental - Assessments and Taxation)

Budget and Taxation

Ways and Means

Property Tax - Homestead Tax Credit - Eligibility

This departmental bill extends to September 1 the deadline for filing an application for the homestead property tax credit program when a property transfers to a new owner between January 1 and July 1 and the deed is not recorded until after July 1. In addition, the bill authorizes the State Department of Assessments and Taxation (SDAT) to reinstate the homestead property tax credit to a homeowner who fails to file the required application for the tax credit by a specified deadline.

The bill takes effect June 1, 2009 and is applicable to taxable years beginning after June 30, 2009.

Fiscal Summary

State Effect: State property tax revenues may decrease to the extent that homeowners file an application for the homestead property tax credit after the application deadline allowed under current law. Any such decrease is assumed to be minimal. Expenditures are not affected.

Local Effect: Local property tax revenues may decrease to the extent that homeowners file an application for the homestead property tax credit after the application deadline allowed under current law. Any such decrease is assumed to be minimal. Expenditures are not affected.

Small Business Effect: The State Department of Assessments and Taxation has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: Homeowners are required to file a specified application with SDAT to qualify for the homestead property tax credit program. Homeowners must file an application within 180 days following the date the property transfers to a new owner. For property transfers that occurred prior to December 31, 2007, an application must be filed with SDAT by December 31, 2012.

When a property transfers between January 1 and July 1 and the deed is not recorded until after July 1, the new property owner has 60 days from the date of transfer to submit an application to receive the homestead property tax credit. Along with the application, the property owner must submit a copy of the deed and request that the date of the deed be used as the date of transfer rather than the recordation date.

Background: SDAT indicates that in some instances, when a property transfers after January 1 but before July 1, the deed is not recorded until after July 1. As noted, current law allows a new property owner 60 days from the date of transfer to submit a written application requesting a homestead property tax credit. Many homeowners may not be aware of this provision until the tax bill arrives which may be after the current deadline has expired. The bill extends the deadline until September 1 in order to allow homeowners the opportunity to file an application for the tax credit.

State Fiscal Effect: The bill may result in a reduction in State property tax revenues to the extent that homeowners file an application for the homestead property tax credit after the deadline allowed under current law. The amount of the decrease cannot be reliably estimated but is expected to be minimal. It depends on the number of property owners who would not qualify for the homestead property tax credit based on the application deadlines imposed under current law, but who would file an application for the tax credit within the time period allowed under the bill.

SDAT indicates that approximately 50,000 owner occupied residential properties transfer between January 1 and July 1 of each year; however, the number of these properties where the deed is not recorded until after July 1, is not known.

Local Fiscal Effect: The bill may result in a reduction in local property tax revenues to the extent that homeowners file an application for the homestead property tax credit after the deadline allowed under current law. The amount of the decrease cannot be reliably estimated but is expected to be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - January 14, 2009
mlm/hlb Revised - Enrolled Bill - May 7, 2009

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Property Tax – Homestead Tax Credit - Eligibility

BILL NUMBER: SB 87

PREPARED BY: State Department of Assessments and Taxation

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.