

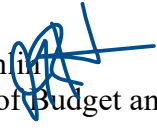



October 20, 2023

FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamilton 
Director of Budget and Policy Analysis

FROM: Roger G. Banegas 
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-092-2023 Homestead Property Tax Credit

CB-092-2023 (*Proposed and presented by:* the Chair of the Council at the request of the County Executive)

Assigned to the Government Operations and Fiscal Policy (GOFP) Committee

AN ACT CONCERNING HOMESTEAD PROPERTY TAX CREDIT for the purpose of establishing the homestead property tax credit for the County property tax for the taxable year beginning July 1, 2024.

Fiscal Summary

Direct Impact

Expenditures: None likely.

Revenue: Reduction in revenue relative to assessed value versus the prior year due to an increase in the amount of the credit.

Indirect Impact

None.

Legislative Summary:

CB-092-2023,¹ presented by the Chair of the Council at the request of the County Executive, was introduced on September 26, 2023, and was referred to the Government Operations and Fiscal Policy (GOFP) Committee. The proposed Bill would establish the Homestead Property Tax Credit for the County property tax for the taxable year beginning July 1, 2024 (FY 2025), as required by State law and the County Charter.

Background/Current Law:

Section 9-105(e)(3) of the Tax-Property Article of the Annotated Code of Maryland requires the enactment of the County's homestead property tax credit percentage for the taxable year beginning the following July 1, on or before March 15th of the year. Section 812(d) of the Charter of Prince George's County requires the annual establishment of the homestead credit percentage on or before January 1 of the taxable year beginning the following July. The County's credit shall be no greater than 100% plus the percentage of the increase in the Consumer Price Index for the previous twelve months, rounded to the nearest whole number, but may not exceed 105%.

The Homestead Property Tax Credit is a program established by the State Department of Assessments and Taxation (SDAT). Per the SDAT website:

“To help homeowners deal with large assessment increases on their principal residence, state law has established the Homestead Property Tax Credit. The Homestead Credit limits the increase in taxable assessments each year to a fixed percentage. Every county and municipality in Maryland is required to limit taxable assessment increases to 10% or less each year. Technically, the Homestead Credit does not limit the market value of the property as determined by the Department of Assessments and Taxation. Instead, it is actually a credit calculated on any assessment increase exceeding 10% (or the lower cap enacted by the local governments) from one year to the next. The credit is calculated based on the 10% limit for purposes of the State property tax, and 10% or less (as determined by local governments) for purposes of local taxation. In other words, the homeowner pays no property tax on the market value increase which is above the limit.”²

To illustrate the calculation of the Prince George's County credit amount, assume Taxpayer H owned and lived in their principal residence in the County. H's base home assessment was

¹ [CB-092-2023](#)

² <https://dat.maryland.gov/realproperty/Pages/Maryland-Homestead-Tax-Credit.aspx>

\$100,000. After the assessment of H's home value by the State, H's phased-in assessment for H's home for the first year is \$120,000. For FY 2025, the Homestead Property Tax Credit in Prince George's County will be 103% under this Bill. An increase of 3% in H's home assessment would result in an assessment of \$103,000. The difference between \$120,000 and \$103,000 is \$17,000. The tax credit would apply to the taxes due on the \$17,000. If the County real property tax rate is \$1.00 per \$100 of assessed value, the tax credit would be \$170 ($\$17,000/100 \times \1.00).

Resource Personnel:

- Stanley A. Earley, Director, Office of Management and Budget
- David B. Juppe, Office of Management and Budget

Discussion/Policy Analysis:

The proposed Bill sets the Homestead Property Tax Credit percentage at 103% for County property taxes for the taxable year beginning July 1, 2024 (FY 2025). The percentage decreases from the FY 2024 rate of 105%, resulting in a greater amount of tax credit offered when compared to the previous fiscal year.

The rate is based upon the percentage year-over-year change (increase/decrease) in the Consumer Price Index (CPI) between June 2022 and June 2023. The CPI for this period, rounded to the nearest percent, increased by 3 percent, which, under the provisions of Charter §812(d), results in a credit percentage of 103% for FY 2025.

The CPI increases used for the purposes of setting the Homestead Property Tax Credit, and the accompanying legislation, are shown in the table below:

Year	CPI Increase prior 12 months	Legislation
2014	2%	CB-069-2014
2015	0%	CB-075-2015
2016	1%	CB-050-2016
2017	2%	CB-080-2017
2018	3%	CB-069-2018
2019	2%	CB-043-2019
2020	1%	CB-057-2020
2021	5%	CB-058-2021
2022	5%	CB-085-2022
2023	3%	CB-092-2023

The Office of Management and Budget staff may be able to provide a summary of the estimated revenue losses and potential savings for FY 2025 related to a range of Homestead Property Tax Credit percentage rates, including the estimated FY 2025 revenue loss related to the Homestead Tax Credit.

Fiscal Impact:

- *Direct Impact*

Enactment of CB-098-2023 will have an adverse fiscal impact on the County, as the Homestead Property Credit percentage will decrease to 103%, resulting in an increase in the amount of the credit.

According to the Office of Management and Budget, for “FY 2025 the Homestead Property Tax credit level would increase by 3% based on inflation. The real property tax estimate is estimated at \$1.033 billion, which is an increase of \$39.9 million or 4.0% above the FY 2024 approved budget. The increase is above 3% to account for new construction in the County. The State Department of Assessments and Taxation projects that even with a 3% increase in the Homestead Tax Credit in FY 2025, that the County will have approximately \$108.8 million in unused property tax assessment capacity.”

- *Indirect Impact*

None.

- *Appropriated in the Current Fiscal Year Budget*

The enactment of the proposed legislation relates to anticipated revenue for FY 2025, for which a budget has not been adopted to date.

Effective Date of Proposed Legislation:

The Act shall take effect forty-five (45) days after it becomes law.

If you require additional information, or have questions about this fiscal impact statement, please reach out to me via phone or email.