





September 25, 2024

FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins
Council Administrator

Colette R. Gresham, Esq.
Deputy Council Administrator

THRU: Josh Hamlin 
Director of Budget and Policy Analysis

FROM: Andrew Stover 
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-075-2024 Homestead Property Tax Credit

CB-075-2024 (*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, 2025, as required by State law.

Fiscal Summary

Direct Impact:

Expenditures: No expenditure impact likely.

Revenues: No impact on revenue over the prior year, as the rate remains the same.

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Indirect Impact:

No indirect impact likely.

Legislative Summary

CB-075-2024¹, presented by the Chair at the request of the County Executive, was introduced on September 10, 2024, and 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, 2025 (FY 2026).

Current Law/Background

The Homestead Property Tax Credit is a property tax credit aimed at limiting the extent of significant increases in property tax as a result of increased assessments on property. It does this by capping the annual increase in the taxable value of a property. As a result, homeowners are liable for the taxes on the property's value up to the cap, and receive a tax credit for any increase beyond that cap.

Section 9-105(e)² of the Tax- Property Article of the Annotated Code of Maryland requires that the homestead credit percentage used to cap the taxable value of a property may not be less than 100% or exceed 110% for any taxable year. Section 812(d)³ of the Prince George's County Charter specifies that the homestead credit percentage for the following fiscal year must be set into law on or before January 1 of the current fiscal year. The Charter further requires that the homestead credit percentage be no greater than "100% plus the percentage of increase in the Consumer Price Index for the previous twelve months, rounded to the nearest whole number, but not more than 105%".

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 \$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 x \$1.00).

¹ [Prince George's County Council - Reference No. CB-075-2024 \(legistar.com\)](https://legistar.com/View/00000000-0000-0000-0000-000000000000)

² [Section 9-105\(e\), Tax- Property Article, Annotated Code of Maryland](#)

³ [Prince George's County Charter Section 812](#)

Resource Personnel:

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

The Office of Management and Budget for the County determined that the increase in the Consumer Price Index over the past 12 months, rounded to the nearest whole number, is 3%. Accordingly, CB-075-2024 sets the homestead credit percentage at 103% for County property taxes collected for the taxable year beginning July 1, 2025 (FY 2026). This percentage is the same as the one used in FY 2025. As a result, it is expected that the cost of the Homestead Property Tax Credit will be roughly the same as the previous year.

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

Fiscal Year	CPI Increase Prior 12 Months	Legislation
2017	0%	<u>CB-075-2015</u>
2018	1%	<u>CB-050-2016</u>
2019	2%	<u>CB-080-2017</u>
2020	3%	<u>CB-069-2018</u>
2021	2%	<u>CB-043-2019</u>
2022	1%	<u>CB-057-2020</u>
2023	5%	<u>CB-058-2021</u>
2024	5%	<u>CB-085-2022</u>
2025	3%	<u>CB-092-2023</u>
2026	3%	<u>CB-075-2024</u>

Fiscal Impact

- *Direct Impact:*

Enactment of CB-075-2024 will have a neutral fiscal impact on the County related to the County’s Homestead Property Tax Credit remaining at 103%.

- *Indirect Impact:*

CB-075-2024 is not expected to have any indirect fiscal impact on the County.

- *Appropriated in the Current Fiscal Year Budget:*

No.

Effective Date of Proposed Legislation

The proposed Act shall become effective 45 calendar days after it becomes law.

If you require additional information, or have questions about this fiscal impact statement, please email me.