March 13, 2024

FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins
Council Administrator

Colette R. Gresham, Esq.
Acting Deputy Council Administrator

THRU: Josh Hamlin
Director of Budget and Policy Analysis

FROM: Andrew Stover
Legislative Budget and Policy Analyst

Policy Analysis and Fiscal Impact Statement
CB-007-2024 The Revised Elderly Property Tax Credit

CB-007-2024 (*proposed by*: Council Members Burroughs, Ivey, Harrison, Dernoga, Fisher, Olson, Watson, Blegay, Oriadha, Franklin, and Hawkins)

Assigned to Government Operations and Fiscal Policy (GOFP) Committee

---

AN ACT CONCERNING THE REVISED ELDERLY PROPERTY TAX CREDIT for the purpose of revising the current elderly property tax credit to make its applicability exclusive of and separate and distinct from the Homestead and Maryland Homeowner's Property Tax Credit.

Fiscal Summary

Direct Impact:

Expenditures: Additional expenditures, likely minimal, in the form of increased administrative costs.

Revenue: Approximately $11.1 million annual reduction in revenue in the form of foregone property tax collections.

Indirect Impact:

Potentially favorable.

Legislative Summary:

CB-007-2024, proposed and sponsored by Council Members Burroughs, Ivey, Harrison, Dernoga, Fisher, Olson, Watson, Blegay, Oriadha, Franklin, and Hawkins, was presented on February 27th, 2024, and was referred to the Government Operations and Fiscal Policy (GOFP) Committee. This bill amends the elderly property tax credit by changing the amount received to be exclusive of and separate from any Homestead or Homeowners tax credits a taxpayer may be eligible for. The bill also simplifies and clarifies language surrounding eligibility for the tax credit and provisions for annual reporting.

Current Law/Background:

Current law, Section 10-235.28[1] in the Prince George's County Code, allows eligible property owners to claim an elderly tax credit, for a period of up to 5 years, equal to 20% of the property tax imposed on the dwelling, inclusive of any Homestead or Homeowners tax credit they have received. If a property owner receives a Homestead and/or Homeowners credit, the amount of the elderly tax credit they receive will reduce by the amount the property owner received in Homestead/Homeowners tax credits up to 20% of the tax burden of the property. If the amount that a property owner receives in Homestead and/or Homeowners tax credits is greater than 20% of their tax burden, that individual will not be able to receive any money through the elderly tax credit. To be eligible for the elderly tax credit, individuals must be 65 years or older, have lived in the same dwelling for the last 10 years or more, and have a property with a maximum assessed value of $500,000[2] at the time of application for the credit. The credit will be granted for a maximum of 5 years, provided that the taxpayer remains eligible throughout that period.

Authority

Section 9-258 of the Tax-Property Article of the Annotated Code of Maryland authorizes the County to grant, by law, a property tax credit against the County tax imposed on the dwelling on an eligible individual. An "eligible individual" is defined as:

(i) an individual who is at least 65 years old;

(ii) an individual who is at least 65 years old and is a retired member of the uniformed services of the United States as defined in 10 U.S.C. § 101, the military reserves, or the National Guard;

---

[1] County Code, Sec. 10-235.28

[2] The law also provides that the maximum value for an eligible home "shall increase annually on July 1 by the lesser of (i) the Consumer Price Index (CPI) for the preceding calendar year or (ii) three percent (3%)."

(iii) a surviving spouse, who is at least 65 years old and has not remarried, of a retired member of the uniformed services of the United States as defined in 10 U.S.C. § 101, the military reserves, or the National Guard;

(iv) an individual who:
1. is an active duty, retired, or honorably discharged member of the uniformed services of the United States as defined in 10 U.S.C. § 101, the military reserves, or the National Guard; and
2. has a service-connected disability as defined in a local law enacted under this section; or

(v) a surviving spouse of an individual described under item (iv) of this paragraph who has not remarried.

State law further permits the County to provide, by law, for the amount and duration of the property tax credit, the maximum assessed value of a dwelling that is eligible for the credit, the minimum number of years (not to exceed 40 years) that an eligible individual must have resided in the dwelling, and any additional eligibility criteria for the tax credit.[3]

Relevant Prior County Legislation

The Elderly Tax Credit was first enacted into law in 2022 with the passage of CB-029-2022[4], which remains the current law. A similar bill that year, CB-005-2022[5], required the taxpayer to have lived in their dwelling for at least 30 years to be eligible for the credit and failed to pass[6].

Discussion/Policy Analysis:

This bill establishes that the elderly property tax credit is assessed and valued at a rate equal to 20% of a taxpayer's property tax burden *without regard to any Homestead or Homeowners tax credit*. As such, the acquisition of a Homestead and/or Homeowners tax will not affect the value of the elderly tax credit that an eligible taxpayer will receive.

This bill will provide greater tax benefit to individuals who qualify for both the elderly tax credit and the Homestead or Homeowners tax credits. This includes thousands of households that are eligible for the elderly property tax credit but do not currently receive benefit from it because they are already receiving 20% or more of the cap in benefits set by existing County law. As **Figure 1** shows, however, those benefits come at a significant cost to the County in the form of lost revenue. The Office of Finance estimates that as a result of this legislation, the County would forego an additional $11.1 million per year in property taxes to amount to a total of $13 million foregone in total each fiscal year. A majority of that additional $11.1 million, as the table shows, will be for elderly homeowners who are already receiving 20% or more of their tax burden in property tax

[3] HB1186 and SB0901, enacted into law during the 2022 General Assembly session, eliminated limits on the maximum amount and duration that the County may issue the property tax credit for.
[4] Prince George's County Council- Reference No. CB-029-2022
[5] Prince George's County Council- Reference No. CB-005-2022
[6] For an overview of previous legislative attempts before 2022, please see the Fiscal and Policy Note for CB-029-2022

credits. The remainder of the additional costs will be for elderly homeowners that receive less than 20% of their tax burden through the elderly tax credit.

Figure 1[7]

	Accounts Currently Eligible for Credit				Additional Revenue Loss under CB-007			
Council District	Number Receiving Under Current Law	Amount Awarded	No Elderly Tax Credit- Already Receiving 20% Cap	No Elderly Tax Credit- Account is Exempt	Additional Amount for those Receiving Credit	Amount for those Not Currently Receiving Credit	Total Additional Credits Amount	**Grand Total**
1	343	$133,799.15	1,345	1	$104,072.21	$892,361.89	$996,434.10	$1,130,233.25
2	146	$78,059.12	956	5	$12,219.06	$587,779.36	$599,998.42	$678,057.54
3	239	$108,421.18	1,294	1	$42,472.64	$787,189.76	$829,662.40	$938,083.58
4	515	$176,581.91	2,064	1	$163,607.87	$1,296,696.18	$1,460,304.05	$1,636,885.96
5	597	$256,919.70	1,566	7	$119,498.00	$921,060.30	$1,040,558.30	$1,297,478.00
6	874	$374,853.91	2,178	11	$204,002.49	$1,401,353.68	$1,605,356.17	$1,980,210.08
7	612	$221,187.29	1,887	10	$70,016.02	$939,546.39	$1,009,562.41	$1,230,749.70
8	751	$294,790.68	2,509	19	$198,123.27	$1,599,007.79	$1,797,131.06	$2,091,921.74
9	959	$316,566.45	2,141	11	$345,083.25	$1,436,543.84	$1,781,627.09	$2,098,193.54
	5,036	**$1,961,179.39**	**15,940**	**66**	**$1,259,094.81**	**$9,861,539.19**	**$11,120,634.00**	**$13,081,813.29**

The fact that a majority of the tax revenue foregone for this credit will be "allocated" to individuals already benefiting from other existing tax credits is important to consider. Given the County's limited financial resources, the allocation of an additional $11.1 million towards this tax credit may impact funding availability for other programs, such as those aimed at assisting disadvantaged communities that do not largely benefit from current tax credits like the population this tax credit change is targeted towards. This could result in a more concentrated distribution of benefits, potentially narrowing the range of beneficiaries while also limiting the County's financial flexibility in addressing various needs. In other words, this change in tax policy may come at the cost of other County-run programs that are targeted towards broader social needs and enhancing the support structure for all residents.

Comparison to other jurisdictions

The proposed change to establish the elderly tax credit as exclusive and separate from any Homestead of Homeowners tax credit received would be consistent with how most other counties in the state with this tax credit option operate. The "Credit Amount" column of **Figure 2** shows that with the exception of Frederick County, which allows 20% on the remainder of a homeowner's tax bill after Homestead and Homeowners tax credits have been applied, every other jurisdiction in the state offers the credit as 20% of the homeowner's tax bill without respect to other credits received. The policy of only offering the credit to those that are eligible and have not already received 20% of their tax bill in credits is unique to Prince George's County.

Another key difference between the County and others in Maryland that offer this tax credit, however, is in the number of years that a homeowner is required to have lived in their home to be eligible for the credit. As **Figure 2** shows, Prince George's County's current length-of-ownership

[7] Data provided by the Prince George's County Office of Finance

requirement of 10 years remains far below any other county in the State, with the lowest requirement for any other county being 30 years. The policy and fiscal note for CB-029-2022, the legislation authorizing this tax credit, highlights an aim of making it easier for seniors to age in place in their place of residence as they grow older. Although the current 10-year requirement advances this objective, it is possible that it may extend eligibility to a broader audience than initially anticipated. As a result, the County has positioned itself to allow many more individuals to qualify for the credit, thereby increasing the costs of this program compared to other counties in Maryland. If the County seeks to lower the costs associated with the tax credit, one policy option of doing so would be to raise the living duration requirements to a level that is more consistent with the rest of the state, such as 30 years.

In Frederick County, existing law requires individuals to have a combined gross household income of $80,000 or less to be eligible for the tax credit, in addition to a 30-year living duration requirement. Establishing a similar income limit on wealth or income in County law would provide another method to cut costs associated with the credit while preserving the tax credit for Prince George's County's seniors most in need.[8]

Figure 2

Jurisdiction	Living Duration Requirements	Credit Amount	Duration of Credit	Max. Home Value	Household Income Limit	Median Home Value[9]
Prince George's	10 Years	20%[10]	5 Years	$500,000		$410,800
Montgomery[11]	40 Years	20%	7 Years	$700,000		$614,000
Frederick[12]	30 Years	20%[13]			$80,000	$453,400
Howard[14]	30 Years	20%	8 Years	$650,000		$580,600
Harford[15]	35 Years	20%	20 Years	$600,000		$359,300

Fiscal Impact:

- *Direct Impact*

Enactment of CB-007-2024 will have an adverse fiscal impact in the form of an annual reduction in property tax revenues in the amount of approximately $11.1 million in year one. This number will likely increase over time as assessments increase and as more taxpayers become aware of the availability of the credit. As **Figure 1** shows, the fiscal impact of this legislation would come in

[8] In Section 9-245 of the Tax- Property Code of Maryland, the State permits counties to establish a tax credit for elderly individuals with limited income. This presents an alternative option for the County to provide property tax assistance to seniors.
[9] 2022 Census Estimates
[10] Inclusive of any Homeowner and/or Homestead tax credit received.
[11] Montgomery County Code Section 52-110
[12] Frederick County Code Section 1-8-67
[13] Amount based of tax remaining after other tax credits have been granted.
[14] Howard County Code Section 20.129E
[15] Harford County Code Section 123-46.5

the form of property tax revenue not collected as a result of distributing an increased amount in tax credits to eligible applicants. Based on data from the Office of Finance for the current tax year, the legislation is expected to have an annual cost to the County starting at an additional $11,120,634.00 in tax credits granted.

While administrative costs for the codified part of the bill are expected to be negligible, the notification requirements dictated by Section 2 of the bill may lead to additional administrative costs. Council staff is waiting on further information from the Office of Finance about what those costs may be.

- *Indirect Impact*

Enactment of CB-007-2024 may have a favorable indirect fiscal impact to the extent that homeowners receiving the credit spend that money locally; however, this impact is difficult to quantify.

- *Appropriated in the Current Fiscal Year Budget*

No.

Effective Date of Proposed Legislation:

The proposed Bill shall be effective forty-five (45) calendar 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.