February 26, 2025

FISCAL AND POLICY NOTE

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THRU: Josh Hamlin
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Policy Analysis and Fiscal Impact Statement
CB-009-2025 The Revised Elderly Property Tax Credit

CB-009-2025 (*proposed by*: Council Member Burroughs)

Assigned to Government Operations and Fiscal Policy (GOFP) Committee

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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 and changing the yearly thresholds for eligibility as well as addressing any hardships resulting thereof.

Fiscal Summary

Direct Impact:

Expenditures: Some additional expenditures in the near-term, likely minimal, in the form of increased administrative costs.

Revenue: Presently unknown. The number of recipients will likely be significantly reduced; however, the average value of the credits will likely increase.

Indirect Impact:

Potentially favorable.

Legislative Summary:

CB-009-2025[1], proposed and sponsored by Council Member Burroughs, was presented on February 4th, 2025, and referred to the Government Operations and Fiscal Policy (GOFP) Committee. This legislation revises the elderly property tax credit to change the yearly thresholds for eligibility and address any hardships occurring as a result of said change.

Current Law/Background:

Current law, Section 10-235.28[2] 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[3] 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;
(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:

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1 CB-009-2025
2 County Code, Sec. 10-235.28
3 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%)."

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.[4]

Relevant Prior County Legislation

The Revised Elderly Tax Credit was enacted into law on December 13, 2024, with the passage of CB-007-2024[5]. The bill established 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.

Discussion/Policy Analysis:

CB-009-2025 would repeal and reenact Subtitle 10. *Finance and Taxation*. Division 8. *Tax Assessment, Levy and Collection.* Subdivision 50. *Property Tax Credit for Elderly Individuals*. to provide new eligibility requirements. The new language under Section 10-235.28(b). Eligibility. states that an individual is eligible to receive a property tax credit if:

(1) The individual is at least 65 years old;
(2) Has lived in the same dwelling for at least the preceding twenty-five (25) years; and
(3) The dwelling for which a property tax credit is sought has a maximum assessed value of Five Hundred Thousand Dollars ($500,000) at the time the individual first applied for the credit, a maximum value that 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%).

The eligibility age remains at 65 years, *but the residency requirement increases from 10 years to 25 years* in the same dwelling.
It is important to note the proposed change in language under Section 10-235.28(c), as the credit allowed is twenty percent (20%) of the County property tax imposed on the dwelling. It would be **exclusive of and separate and distinct from** any Homestead or Homeowners tax credit provided.

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[4] 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.
[5] CB-007-2024

Council staff contacted the Office of Finance for updated numbers on the County's expenses as a result of CB-009-2025, but no response has been received as of the finalization of this policy analysis. Since Council staff has not received the numbers, we are unable to make the correct calculations of those eligible for the credit. However, 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. 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 1** 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 who are eligible and have not already received 20% of their tax bill in credits is unique to Prince George's County.

There could be a significant increase in the value of credits granted because of the offset in the elimination of the Homestead Property Tax Credit. Ultimately, this property tax credit could result in long-term savings due to the reduction of number of recipients. For the Near term, there could be an increase in cost under section 2 with prior law that offsets the Property Homestead Credit.

A 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 1** shows, Prince George's County's current length-of-ownership 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 for 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. Moving the eligibility from 10 to 25 years of living in the dwelling would move us closer to our generous neighboring jurisdictions in providing Prince George's County's seniors with the help they need.

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.[6]

Figure 1

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

Fiscal Impact:

- *Direct Impact*

Enactment of CB-009-2025 may have a favorable or adverse fiscal impact on the County. Council staff has requested current data from Office of Finance related to:

(1) what the reduction in number of recipients would be under the change in residency duration requirements; and

(2) the impact on the aggregate value of credits granted if the Homestead Property tax offset is removed.

This information is necessary to estimate the impact of the proposed changes, which could be either favorable or adverse.

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.

[6] 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.
[7] 2022 Census Estimates
[8] Inclusive of any Homeowner and/or Homestead tax credit received.
[9] Montgomery County Code Section 52-110
[10] Frederick County Code Section 1-8-67
[11] Amount based of tax remaining after other tax credits have been granted.
[12] Howard County Code Section 20.129E
[13] Harford County Code Section 123-46.5

- *Indirect Impact*

Enactment of CB-009-2025 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.