



THE PRINCE GEORGE'S COUNTY GOVERNMENT

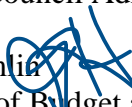
Office of Audits and Investigations

September 20, 2022

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin 
Director of Budget and Policy Analysis

FROM: Malcolm Moody - *MM*
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-085-2022 Homestead Property Tax Credit

CB-085-2022 (*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, 2023.

Fiscal Summary

Direct Impact:

Expenditures: None.

Revenues: Neutral impact, but revenues will increase based on increased assessments.

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Indirect Impact:

None.

Legislative Summary:

CB-85-2022 was presented by the Chair of the Council by request of the County Executive on September 6, 2022. The Bill would establish the Homestead Property Tax Credit for the County property tax for the taxable year beginning July 1, 2023 (FY 2024), as required by State law and the County Charter.

Current Law/Background:

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 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.”¹

To illustrate the calculation of the amount of the Prince George’s County credit, assume Taxpayer H owned and lived in their principal residence in the County. H’s base home assessment was \$100,000. After 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 2024, under this Bill, the Homestead Property Tax

¹ <https://dat.maryland.gov/realproperty/Pages/Maryland-Homestead-Tax-Credit.aspx>

Credit in Prince George’s County will be 105%. An increase of 5% in H’s home assessment would result in an assessment of \$105,000. The difference between \$120,000 and \$105,000 is \$15,000. The tax credit would apply to the taxes due on the \$15,000. If the County real property tax rate is \$1.00 per \$100 of assessed value, the tax credit would be \$150 ($\$15,000/100 \times \1.00).

Resource Personnel:

- Stanley Earley, Director, Office of Management and Budget
 - David Juppe, Legislative Analyst, Office of Management and Budget
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Discussion/Policy Analysis:

The proposed Bill sets the Homestead Property Tax Credit at 105% for County property taxes for the taxable year beginning July 1, 2023 (FY 2024). The tax credit remains the same from the FY 2023 rate of 105%, correlating to an equal amount of tax credit offered when compared to the previous fiscal year. The amount of collections will increase despite the tax credit remaining the same.

The rate is based upon the percentage year-over-year change (increase/decrease) in the Consumer Price Index (CPI) between June 2021 and June 2022. The CPI for this period increased by 9 percent, which under the provisions of Charter §812(d) results in credit percentage of 105%.

Office of Management and Budget staff may be able to provide a summary of the estimated revenue losses and potential savings for FY 2024 related to a range of Homestead Property Tax Credit percentage rates, including the estimated FY 2024 revenue loss related to the Homestead Tax Credit.

Fiscal Impact:

- *Direct Impact*

Enactment of CB-085-2022 will have a neutral fiscal impact on the County related to the County’s Homestead Property Tax Credit remaining at 105%.

According to the Office of Management and Budget, for “FY 2024 the Homestead Property Tax credit level would increase by 5% based on inflation. The real property tax estimate is estimated at \$993.4 million, which is an increase of \$41.7 million or 4.4% above the FY 2023 approved budget. The increase is lower than 5% because of tax credits that the County has approved for various housing projects, increased tax differential with the municipalities, etc. The State Department of Assessments and Taxation projects that even with a 5% increase in

the Homestead Tax Credit in FY 2024, that the County will have approximately \$86 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 2024, for which a budget has not been adopted to date.

Effective Date

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 call me.