

HOUSE BILL 1324

Q1

4lr2662

By: **Delegates Wivell, Baker, and Valentine**

Introduced and read first time: February 9, 2024

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Homestead Property Tax Credit – Eligible Properties – Alteration**

3 FOR the purpose of expanding eligibility for the homestead property tax credit to include
4 additional residences; and generally relating to the homestead property tax credit.

5 BY repealing and reenacting, with amendments,
6 Article – Tax – Property
7 Section 9–105(a), (c)(1) and (4), (d), (f), (g), and (i)
8 Annotated Code of Maryland
9 (2019 Replacement Volume and 2023 Supplement)

10 BY repealing and reenacting, without amendments,
11 Article – Tax – Property
12 Section 9–105(c)(2) and (3) and (k)
13 Annotated Code of Maryland
14 (2019 Replacement Volume and 2023 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
16 That the Laws of Maryland read as follows:

17 **Article – Tax – Property**

18 9–105.

19 (a) (1) In this section the following words have the meanings indicated.

20 (2) (I) “ADDITIONAL RESIDENCE” MEANS A HOUSE AND THE LOT
21 OR CURTILAGE ON WHICH THE HOUSE IS ERECTED.

22 (II) “ADDITIONAL RESIDENCE” INCLUDES:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 **1. A CONDOMINIUM UNIT OF AN INDIVIDUAL WHO HAS A**
2 **LEGAL INTEREST IN THE CONDOMINIUM;**

3 **2. AN APARTMENT IN A COOPERATIVE APARTMENT**
4 **CORPORATION OF AN INDIVIDUAL WHO HAS A LEGAL INTEREST IN THE APARTMENT;**
5 **AND**

6 **3. A PART OF REAL PROPERTY USED OTHER THAN**
7 **PRIMARILY FOR RESIDENTIAL PURPOSES, IF THE REAL PROPERTY IS USED AS A**
8 **RESIDENCE BY AN INDIVIDUAL WHO HAS A LEGAL INTEREST IN THE REAL**
9 **PROPERTY.**

10 **[(2)] (3)** “Active member” means:

11 (i) a shareholder in a family corporation;

12 (ii) a partner in a general partnership; or

13 (iii) a member of a limited liability company or partner in a limited
14 liability partnership who has or shares the authority to manage, control, and operate the
15 limited liability company or limited liability partnership and who shares the assets and
16 earnings of the limited liability company or limited liability partnership under an operating
17 agreement under § 4A–402 of the Corporations and Associations Article or under a
18 partnership agreement.

19 **[(3)] (4)** “Agricultural ownership entity” means a family corporation,
20 general partnership, limited liability company, or limited liability partnership that:

21 (i) owns real property that:

22 1. includes land receiving an agricultural use assessment
23 under § 8–209 of this article; and

24 2. includes land used as a homesite that is part of or
25 contiguous to a parcel described in item 1 of this item;

26 (ii) owns personal property used to operate the agricultural land;
27 and

28 (iii) owns no other property.

29 **[(4)] (5)** “Bicounty commission” means:

30 (i) the Maryland–National Capital Park and Planning Commission;

(ii) the Washington Suburban Sanitary Commission; or

(iii) the Washington Suburban Transit Commission.

[(5)] (6) (i) “Dwelling” means:

1. a house that is:

A. used as the principal residence of the homeowner; and

B. actually occupied or expected to be actually occupied by the homeowner for more than 6 months of a 12-month period beginning with the date of finality for the taxable year for which the property tax credit under this section is sought; and

2. the lot or curtilage on which the house is erected.

(ii) “Dwelling” includes:

1. a condominium unit that is occupied by an individual who has a legal interest in the condominium;

2. an apartment in a cooperative apartment corporation that is occupied by an individual who has a legal interest in the apartment; and

3. a part of real property used other than primarily for residential purposes, if the real property is used as a principal residence by an individual who has a legal interest in the real property.

[(6)] (7) “Family corporation” means a corporation that does not have any stockholders other than the homeowner and the following members of the homeowner’s family:

(i) a spouse or former spouse;

(ii) a child or stepchild;

(iii) a parent or stepparent;

(iv) a brother or sister;

(v) a son-in-law, daughter-in-law, stepson-in-law, or stepdaughter-in-law;

(vi) a grandchild or stepgrandchild; or

(vii) a grandparent or stepgrandparent.

1 [(7)] (8) “Homeowner” means an individual who has a legal interest in a
2 dwelling **OR AN ADDITIONAL RESIDENCE** or who is an active member of an agricultural
3 ownership entity that has a legal interest in a dwelling **OR AN ADDITIONAL RESIDENCE**.

4 [(8)] (9) “Legal interest” means an interest in a dwelling **OR AN**
5 **ADDITIONAL RESIDENCE**:

- 6 (i) as a sole owner;
- 7 (ii) as a joint tenant;
- 8 (iii) as a tenant in common;
- 9 (iv) as a tenant by the entirety;
- 10 (v) through membership in a cooperative;
- 11 (vi) under a land installment contract, as defined in § 10–101 of the
12 Real Property Article;
- 13 (vii) as a holder of a life estate; or
- 14 (viii) as a settlor, grantor, or beneficiary of a trust if:
 - 15 1. the settlor, grantor, or beneficiary of the trust does not pay
16 rent or other remuneration to reside in the dwelling **OR ADDITIONAL RESIDENCE**; and
 - 17 2. legal title to the dwelling **OR ADDITIONAL RESIDENCE** is
18 held in the name of the trust or in the names of the trustees for the trust.

19 [(9)] (10) “Taxable assessment” means the assessment on which the
20 property tax rate was imposed in the preceding taxable year, adjusted by the phased-in
21 assessment increase resulting from a revaluation under § 8–104(c)(1)(iii) of this article, less
22 the amount of any assessment on which a property tax credit under this section is
23 authorized.

24 (c) (1) If a dwelling **OR AN ADDITIONAL RESIDENCE** is not used primarily for
25 residential purposes, the Department shall apportion the total property assessment
26 between the part of the dwelling **OR ADDITIONAL RESIDENCE** that is used for residential
27 purposes and the part of the dwelling **OR ADDITIONAL RESIDENCE** that is not used for
28 residential purposes.

29 (2) If a homeowner does not actually reside in a dwelling for the required
30 time period because of illness or need of special care and is otherwise eligible for a property

1 tax credit under this section, the homeowner may qualify for the property tax credit under
2 this section.

3 (3) If a homeowner otherwise eligible for a credit under this section does
4 not actually reside in a dwelling for the required time period because the dwelling is
5 damaged due to an accident or natural disaster, the homeowner may continue to qualify for
6 a credit under this section for the current taxable year and 2 succeeding taxable years even
7 if the dwelling has been removed from the assessment roll in accordance with § 10–304 of
8 this article.

9 (4) (i) For a homeowner who is an active member of an agricultural
10 ownership entity to qualify for the property tax credit under this section:

11 1. the dwelling **OR ADDITIONAL RESIDENCE** must have
12 been owned and occupied by the active member:

13 A. at the time of its transfer to the agricultural ownership
14 entity; or

15 B. if the agricultural ownership entity is a limited liability
16 company and the dwelling **OR ADDITIONAL RESIDENCE** was originally transferred to the
17 agricultural ownership entity as part of a conversion from a partnership under § 4A–211 of
18 the Corporations and Associations Article, then at the time of its transfer to the former
19 partnership; and

20 2. the agricultural ownership entity and the active member
21 who occupies the dwelling **OR ADDITIONAL RESIDENCE** must file an application with the
22 Department establishing initial eligibility for the credit on or before June 30 for the
23 following taxable year and, at the request of the Department, must file an application in
24 any future year to verify continued eligibility.

25 (ii) Failure to file a timely application may result in disqualification
26 from the Homestead Tax Credit Program for the following taxable year.

27 [(iii) The credit may only be granted to one dwelling owned by the
28 agricultural ownership entity.

29 (iv) Participation in the credit program as the active member of an
30 agricultural ownership entity disqualifies any other dwellings owned by the active member
31 for the credit.]

32 (d) (1) Subject to the provisions of paragraph [(6)] **(5)** of this subsection, the
33 Department shall authorize and the State, a county, or a municipal corporation shall grant
34 a property tax credit under this section for a taxable year unless during the previous
35 taxable year:

(i) the dwelling **OR ADDITIONAL RESIDENCE** was transferred for consideration to new ownership;

(ii) the value of the dwelling **OR ADDITIONAL RESIDENCE** was increased due to a change in the zoning classification of the dwelling **OR ADDITIONAL RESIDENCE** initiated or requested by the homeowner or anyone having an interest in the property;

(iii) the use of the dwelling **OR ADDITIONAL RESIDENCE** was changed substantially; or

(iv) the assessment of the dwelling **OR ADDITIONAL RESIDENCE** was clearly erroneous due to an error in calculation or measurement of improvements on the real property.

(2) [A homeowner must actually reside in the dwelling by July 1 of the taxable year for which the property tax credit under this section is to be allowed.

(3)] A homeowner may claim a property tax credit under this section for [only 1] A dwelling **OR AN ADDITIONAL RESIDENCE**.

[(4)] (3) If a property tax credit under this section is less than \$1 in any taxable year, the tax credit may not be granted.

[(5)] (4) (i) If the dwelling **OR ADDITIONAL RESIDENCE** was transferred for consideration in a deed dated on or after January 1 but before the beginning of the next taxable year and the deed was recorded with the clerk of the circuit court or the Department on or after July 1 but before September 1 of the next taxable year, the new owner may submit a written application to the Department on or before September 1 of the second taxable year following the date of the deed requesting that the date of the deed be accepted by the Department as the date of transfer under paragraph (1) of this subsection.

(ii) 1. The applicant shall submit with the written application a copy of the executed deed evidencing the date of the transfer.

2. If the applicant fails to submit a copy of the executed deed as required under subsubparagraph 1 of this subparagraph, the Department shall deny the application.

(iii) The date of the transfer under this paragraph is the effective date of the deed as described under § 3–201 of the Real Property Article.

(iv) If a homeowner submits an eligible application under this paragraph after May 1 of the first taxable year following the date of the deed and the homeowner is due to receive a reduction in the homeowner's property tax bill in the second taxable year following the date of the deed as a result of the credit under this section,

property tax is not due on the dwelling **OR ADDITIONAL RESIDENCE** for the second taxable year following the date of the deed until 30 days after a revised tax bill is sent to the homeowner.

~~[(6)]~~ **(5)** (i) Except as provided under paragraph ~~[(7)]~~ **(6)** of this subsection, to qualify for the credit under this section, a homeowner shall submit an application for the credit to the Department as provided in this paragraph.

(ii) The application shall:

1. be made on the form that the Department provides;
2. provide the information required by the form;
3. include a statement by the homeowner under oath that the facts stated in the application are true, correct, and complete; and
4. except as provided in subparagraph (iii) of this paragraph, be filed on or before the May 1 preceding the first taxable year for which the property tax credit under this section is to be allowed.

(iii) For a dwelling **OR AN ADDITIONAL RESIDENCE** that was last transferred for consideration to new ownership on or before December 31, 2007, an application shall be filed with the Department on or before December 30, 2013, or the Department may not authorize and the State, county, and municipal corporation may not grant the property tax credit under this section:

1. for the taxable year beginning July 1, 2014; and
2. for a taxable year beginning after June 30, 2015, unless an application is filed as required under subparagraphs (i) and (ii) of this paragraph.

(iv) If a dwelling **OR AN ADDITIONAL RESIDENCE** previously received a credit under this section and failed to qualify for 1 taxable year because of a failure to file the application required under this paragraph, the Department:

1. shall grant the credit for the dwelling **OR ADDITIONAL RESIDENCE** for the next following taxable year on the timely filing of the application by the same homeowner who previously received the credit; and
2. shall calculate the prior year's taxable assessment for the dwelling **OR ADDITIONAL RESIDENCE** as if the credit had not been lost for the 1 intervening taxable year.

(v) The Department shall provide a homeowner the option to submit the application required under this paragraph electronically on the Department's website.

1 **[(7)] (6)** If a homeowner submits an application to the Department under
2 this section and the Department determines that the homeowner was eligible for the credit
3 in the prior taxable year but failed to file an application for the credit as required under
4 this subsection:

5 (i) the homeowner shall be retroactively qualified for the
6 Homestead Property Tax Credit Program for the prior taxable year; and

7 (ii) the Department shall calculate the prior year's taxable
8 assessment as if the credit had been granted for the prior taxable year.

9 (f) (1) The Department shall give notice of the possible property tax credit
10 under this section.

11 (2) In addition to any other notice the Department provides under this
12 subsection, the Department shall:

13 (i) identify homeowners who may be eligible but have failed to apply
14 for the property tax credit under this section; and

15 (ii) include a separate insert with each assessment notice sent under
16 § 8–401 of this article to each homeowner identified under item (i) of this paragraph that
17 informs the homeowner that the homeowner may be eligible for the property tax credit
18 under this section and how to apply for the credit.

19 (3) In addition to any other notice the Department provides under this
20 subsection, the Department shall mail a notice to each individual who acquires residential
21 real property and has not applied for the credit under this section within a reasonable
22 period of time after the individual[:

23 (i)] acquires the property by recorded deed[; and

24 (ii) indicates that the property will be the individual's principal
25 residence on the corresponding land instrument intake sheet described under § 3–104 of
26 the Real Property Article].

27 (4) The notice required under paragraph (3) of this subsection shall:

28 (i) inform the individual that the individual may be eligible for the
29 property tax credit under this section;

30 (ii) contain information on how to apply for the credit; and

31 (iii) inform the individual that the individual may apply to the
32 Department to have the date of the deed accepted as the date of transfer of the property for
33 purposes of the credit as provided in subsection **[(d)(5)] (D)(4)** of this section.

1 (5) (i) The Department shall design a document concerning the credit
2 under this section that shall be presented to the buyer of residential property at the
3 settlement for the property by the person conducting the settlement.

4 (ii) The document under this paragraph shall include:

5 1. the following statement in conspicuous type: ["If you plan
6 to live in this home as your principal residence, you] **"YOU** may qualify for the homestead
7 property tax credit. The homestead property tax credit may significantly reduce the amount
8 of property taxes you owe.";

9 2. instructions on how to apply for the credit online; and

10 3. a complete application for the credit and instructions on
11 how to submit the paper application to the Department.

12 (iii) The Department shall make the document under this paragraph
13 available on its website where it may be easily accessed by persons conducting settlements
14 for residential property.

15 (6) The Department shall ensure that the information it provides under
16 this subsection is accurate and up-to-date.

17 (g) A homeowner who meets the requirements of this section shall be granted the
18 property tax credit under this section against the State, county, and municipal corporation
19 property tax and any property tax imposed for a bicounty commission imposed on the real
20 property of the dwelling **OR ADDITIONAL RESIDENCE**.

21 (i) (1) When property that has received a credit under this section for the
22 current taxable year includes improvements that are removed from the assessment roll
23 under § 10-304 of this article because of damage due to an accident or a natural disaster:

24 (i) the full benefit of the property tax abatement under § 10-304 of
25 this article may not be diminished by the amount of the credit;

26 (ii) the full benefit of that credit may not be diminished by the
27 property tax abatement under § 10-304 of this article and shall be reflected in the
28 assessment of the total property, including any new improvements, for the current taxable
29 year; and

30 (iii) the property shall be eligible to receive a credit under this section
31 for the current taxable year and the two succeeding taxable years regardless of the
32 existence or condition of the dwelling **OR ADDITIONAL RESIDENCE**.

33 (2) Neither the calculation of the abatement nor the assessment under this
34 subsection shall include an assessment less than zero.

1 (k) The tax credit under this section shall be known as the homestead property
2 tax credit.

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June
4 1, 2024, and shall be applicable to all taxable years beginning after June 30, 2024.