

HOUSE BILL 1255

Q1

11r2264

By: **Delegate Ivey**

Introduced and read first time: February 8, 2021

Assigned to: Ways and Means

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 8, 2021

CHAPTER _____

1 AN ACT concerning

2 **Homestead and Homeowners' Property Tax Credits – Access and Eligibility**

3 FOR the purpose of requiring a contract for the sale of residential property ~~to an individual~~
4 ~~who intends to occupy the property as the individual's principal residence to include~~
5 ~~a certain addendum~~ to include certain information concerning the homestead
6 property tax credit; altering the individuals to whom the State Department of
7 Assessments and Taxation is required to mail a certain notice concerning the
8 homestead property tax credit; requiring the Department to design a certain
9 document concerning the homestead property tax credit ~~for inclusion in certain~~
10 ~~contracts for sale of residential property~~ that must be presented to the buyer of
11 residential property at the settlement for the property by the person conducting the
12 settlement; requiring the document to include certain information; requiring the
13 Department to make the document available on its website in a certain manner;
14 ~~altering a certain statement required to be included in a certain insert accompanying~~
15 ~~a certain notice sent to property owners with unpaid property taxes; altering the~~
16 ~~definition of "gross income" for purposes of determining eligibility for and the~~
17 ~~computation of the homeowners' property tax credit; altering the minimum age at~~
18 ~~which a homeowner becomes eligible to receive the homeowners' property tax credit~~
19 ~~for certain previous taxable years~~; requiring the Department to contract with a
20 usability consultant on or before a certain date to review all the public informational
21 materials and forms produced by the Department concerning the homestead and
22 homeowners tax credits; requiring the consultant to make certain recommendations
23 to the Department on or before a certain date regarding ways the Department's
24 public informational materials and forms concerning the homestead and
25 homeowners' property tax credits could be made more usable; requiring the

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



Department to submit a certain report to certain committees of the General Assembly on or before a certain date; ~~providing for the application of certain provisions of this Act;~~ requiring the Department and the Comptroller to collaborate with the Committee on Ways and Means during a certain time period on a study of certain matters concerning the homeowners' property tax credit; and generally relating to the homestead and homeowners' property tax credits.

BY adding to

Article – Real Property

Section 14–117(n)

Annotated Code of Maryland

(2015 Replacement Volume and 2020 Supplement)

~~BY repealing and reenacting, without amendments,~~

~~Article – Tax – Property~~

~~Section 9–104(a)(1) and (3), (f), (g), and (j)(1)~~

~~Annotated Code of Maryland~~

~~(2019 Replacement Volume and 2020 Supplement)~~

BY repealing and reenacting, with amendments,

Article – Tax – Property

~~Section 9–104(a)(8) and (u), 9–105(f), and 14–812(b)(6)~~

Annotated Code of Maryland

(2019 Replacement Volume and 2020 Supplement)

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

Article – Real Property

14–117.

(N) A CONTRACT FOR THE SALE OF RESIDENTIAL PROPERTY TO AN INDIVIDUAL WHO INTENDS TO OCCUPY THE PROPERTY AS THE INDIVIDUAL'S PRINCIPAL RESIDENCE SHALL INCLUDE THE ADDENDUM CONCERNING THE HOMESTEAD PROPERTY TAX CREDIT THAT IS DESIGNED BY THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION UNDER § 9–105(F)(5) OF THE TAX – PROPERTY ARTICLE SHALL INCLUDE:

(1) THE STATEMENT “IF YOU PLAN TO LIVE IN THIS HOME AS YOUR PRINCIPAL RESIDENCE, YOU MAY QUALIFY FOR THE HOMESTEAD PROPERTY TAX CREDIT. THE HOMESTEAD PROPERTY TAX CREDIT MAY SIGNIFICANTLY REDUCE THE AMOUNT OF PROPERTY TAXES YOU OWE.”; AND

(2) THE WEBSITE ADDRESS OF THE DOCUMENT REQUIRED UNDER § 9–105(F)(5) OF THE TAX – PROPERTY ARTICLE.

Article – Tax – Property

9–105.

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

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

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

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

(3) In addition to any other notice the Department provides under this subsection, the Department shall mail a notice to each individual who acquires residential real property **AND HAS NOT APPLIED FOR THE CREDIT UNDER THIS SECTION** within a reasonable period of time after the individual:

(i) acquires the property by recorded deed; and

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

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

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

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

(iii) inform the individual that the individual may apply to the Department to have the date of the deed accepted as the date of transfer of the property for purposes of the credit as provided in subsection (d)(5) of this section.

(5) (I) ~~THE DEPARTMENT SHALL DESIGN A ONE PAGE DOCUMENT CONCERNING THE CREDIT UNDER THIS SECTION FOR INCLUSION AS AN ADDENDUM TO A CONTRACT FOR THE SALE OF RESIDENTIAL REAL PROPERTY TO AN INDIVIDUAL WHO INTENDS TO OCCUPY THE PROPERTY AS THE INDIVIDUAL'S PRINCIPAL RESIDENCE IN ACCORDANCE WITH § 14-117(N) OF THE REAL PROPERTY ARTICLE~~

THE DEPARTMENT SHALL DESIGN A DOCUMENT CONCERNING THE CREDIT UNDER THIS SECTION THAT SHALL BE PRESENTED TO THE BUYER OF RESIDENTIAL PROPERTY AT THE SETTLEMENT FOR THE PROPERTY BY THE PERSON CONDUCTING THE SETTLEMENT.

(II) THE DOCUMENT UNDER THIS PARAGRAPH SHALL INCLUDE:

1. THE FOLLOWING STATEMENT IN CONSPICUOUS TYPE:
“IF YOU PLAN TO LIVE IN THIS HOME AS YOUR PRINCIPAL RESIDENCE, YOU MAY QUALIFY FOR THE HOMESTEAD PROPERTY TAX CREDIT. THE HOMESTEAD PROPERTY TAX CREDIT MAY SIGNIFICANTLY REDUCE THE AMOUNT OF PROPERTY TAXES YOU OWE.”;

2. INSTRUCTIONS ON HOW TO APPLY FOR THE CREDIT ONLINE; AND

3. A COMPLETE APPLICATION FOR THE CREDIT AND INSTRUCTIONS ON HOW TO SUBMIT THE PAPER APPLICATION TO THE DEPARTMENT.

(III) THE DEPARTMENT SHALL MAKE THE DOCUMENT UNDER THIS PARAGRAPH AVAILABLE ON ITS WEBSITE WHERE IT MAY BE EASILY ACCESSED BY ~~REAL ESTATE BROKERS OR OTHER PERSONS PREPARING CONTRACTS FOR THE SALE OF RESIDENTIAL REAL PROPERTY~~ PERSONS CONDUCTING SETTLEMENTS FOR RESIDENTIAL PROPERTY.

~~[(5)]~~ (6) The Department shall ensure that the information it provides under this subsection is accurate and up-to-date.

~~14-812.~~

~~(b) The mailing required under subsection (a) of this section shall include a separate insert that includes the following:~~

~~(6) the following information concerning the homeowners' property tax credit under § 9-104 of this article:~~

~~(i) the statement “The homeowners' property tax credit may significantly reduce the property taxes you owe if you have limited income and assets. You may be eligible for the credit at any age, but if you are [70] 60 years old or older, you may be eligible for a special benefit that may reduce the taxes you owe for the past 3 years.”; and~~

~~(ii) the website address and telephone number of the State Tax Sale Ombudsman where more information is available about the homeowners' property tax credit and how to apply;~~

1 ~~SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read~~
2 ~~as follows:~~

3 ~~Article Tax Property~~

4 ~~9-104.~~

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

6 ~~(3) "Combined income" means the combined gross income of all individuals~~
7 ~~who actually reside in a dwelling except an individual who:~~

8 ~~(i) is a dependent of the homeowner under § 152 of the Internal~~
9 ~~Revenue Code; or~~

10 ~~(ii) pays a reasonable amount for rent or room and board.~~

11 ~~(8) [(i)] "Gross income" means [the total income from all sources for the~~
12 ~~calendar year that immediately precedes the taxable year, whether or not the income is~~
13 ~~included in the definition of gross income for federal or State tax purposes] MARYLAND~~
14 ~~ADJUSTED GROSS INCOME AS CALCULATED IN ACCORDANCE WITH TITLE 10,~~
15 ~~SUBTITLE 2 OF THE TAX GENERAL ARTICLE, INCLUDING THE VALUE OF ANY~~
16 ~~INCOME RECEIVED DURING PERIODS OF NONRESIDENCE NOT OTHERWISE SUBJECT~~
17 ~~TO THE STATE INCOME TAX.~~

18 ~~[(ii)] "Gross income" includes:~~

19 ~~1. any benefit under the Social Security Act or the Railroad~~
20 ~~Retirement Act;~~

21 ~~2. the aggregate of gifts over \$300;~~

22 ~~3. alimony;~~

23 ~~4. support money;~~

24 ~~5. any nontaxable strike benefit;~~

25 ~~6. public assistance received in a cash grant;~~

26 ~~7. a pension;~~

27 ~~8. an annuity;~~

28 ~~9. any unemployment insurance benefit;~~

~~10. any workers' compensation benefit;~~

~~11. the net income received from a business, rental, or other endeavor;~~

~~12. any withdrawal, payment, or distribution from an individual retirement account;~~

~~13. any withdrawal, payment, or distribution from any qualified retirement savings plan; and~~

~~14. any rent on the dwelling, including the rent from a room or apartment.~~

~~(iii) "Gross income" does not include:~~

~~1. any income tax refund received from the State or federal government; or~~

~~2. any loss from business, rental, or other endeavor.]~~

~~(f) A homeowner who meets the requirements of this section shall be granted the property tax credit under this section against the property tax imposed on the real property of the dwelling.~~

~~(g) (1) Except as provided in subsection (h) of this section, the property tax credit under this section is the total real property tax of a dwelling, less the percentage of the combined income of the homeowner that is described in paragraph (2) of this subsection.~~

~~(2) The percentage is:~~

~~(i) 0% of the 1st \$8,000 of combined income;~~

~~(ii) 4% of the next \$4,000 of combined income;~~

~~(iii) 6.5% of the next \$4,000 of combined income; and~~

~~(iv) 9% of the combined income over \$16,000.~~

~~(j) (1) A property tax credit under this section may not be granted to a homeowner whose combined net worth exceeds \$200,000 as of December 31 of the calendar year that precedes the year in which the homeowner applies for the property tax credit or whose combined gross income exceeds \$60,000 in that same calendar year.~~

~~(u) (1) Under the conditions set forth in this subsection, the Department may accept an application from a homeowner within 3 years after April 15 of the taxable year for which a credit is sought, if the homeowner:~~

~~(i) is at least [70] 60 years old as of the taxable year for which a credit is sought; and~~

~~(ii) was eligible for the credit under this section for the taxable year for which the credit is sought.~~

~~(2) A homeowner may apply to the Department for a property tax credit under this section by filing an application on the form that the Department provides.~~

~~(3) The homeowner shall state under oath that the facts in the application are true.~~

~~(4) To substantiate the application, the Department may require the homeowner to provide a copy of an income tax return, or other evidence detailing gross income or net worth.~~

~~(5) On certification by the Department, the Comptroller shall pay to the homeowner the property tax credit due under this section.~~

SECTION ~~2~~ 2. AND BE IT FURTHER ENACTED, That:

(a) On or before August 1, 2021, the State Department of Assessments and Taxation shall contract with a usability consultant to review all the public informational materials and forms produced by the Department concerning the homestead and homeowners tax credits.

(b) (1) On or before December 1, 2021, the consultant shall make recommendations to the Department regarding ways the Department's public informational materials and forms concerning the homestead and homeowners' property tax credits could be made more usable, especially for socioeconomically diverse communities.

(2) The consultant shall make specific recommendations concerning:

(i) how the Department's website and other written materials could more clearly and effectively communicate information concerning the tax credits, including why it is important and beneficial for homeowners to apply;

(ii) how to simplify and clarify the applications for the credits and minimize errors by individuals completing the applications; and

(iii) the design of the document required under § 9-105(f)(5) of the Tax – Property Article as enacted by this Act.

(c) On or before February 1, ~~2021~~ 2022, the Department shall submit a report, in accordance with § 2-1257 of the State Government Article, to the Senate Budget and Taxation Committee and the House Committee on Ways and Means that includes:

(1) the recommendations submitted by the consultant under subsection (b) of this section; and

(2) the actions the Department has taken or plans to take to implement the recommendations.

SECTION 3. AND BE IT FURTHER ENACTED, That, during the 2021 legislative interim, the State Department of Assessments and Taxation and the Comptroller shall collaborate with the Committee on Ways and Means on a study of:

(1) how to simplify the definition of “gross income” for purposes of the homeowners’ property tax credit, such as by using Maryland Adjusted Gross Income as calculated under the Tax – General Article, without increasing State expenditures by changing how the amount of the credit is calculated under § 9-104(g) of the Tax – Property Article; and

(2) ways that the homeowners’ property tax credit could be made automatically renewable for recipients of the credit.

SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2021. ~~Section 2 of this Act shall be applicable to all taxable years beginning after June 30, 2021.~~

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.