

Mayor's Tax Credit Workgroup

Targeted Homeowners Tax Credit (THTC)

April 30, 2024



Schedule Update & Homestead Recap



Brandon M. Scott
Mayor

Workgroup
Schedule

Homeowner Protection Tax Credits

- March 26 1 Homestead Tax Credit
- April 30 2 Targeted Homeowners Tax Credit
- June 11 3 * State Homeowners Tax Credit / City Supplemental

Development Tax Credits

- July 30 1 Newly Constructed Tax Credit
- Aug 27 2 High Performance Market Rate Tax Credit
- Sept 26 3 Historic (CHAP) Tax Credit
- Oct 22 4 Enterprise Zone (EZ) Tax Credit
- Nov 26 5 Brownfield Tax Credit

Homestead Tax Credit Recap

What I Heard from the Workgroup....

1

Agreement that homeowners think about taxes in terms of their total monthly housing payment, i.e. mortgage + taxes + other costs.

2

Openness towards an increase in the current Homestead cap of 4% as long as we can manage the fear of displacement among residents.

3

Concern about residents that still may not be receiving all of the benefits that they are eligible for, even despite extensive outreach and communication efforts.

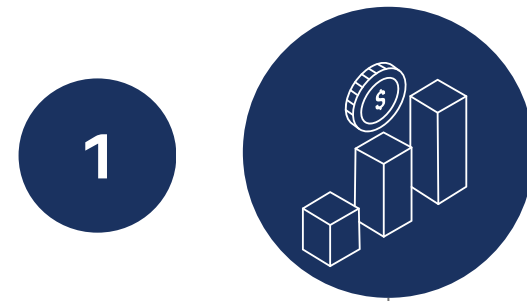
4

Excitement about the potential to get the residential property tax rate under \$2.00 which could break a psychological “barrier” preventing buyers from considering Baltimore City. The current effective rate is \$2.04.



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Today's Agenda



1

Background

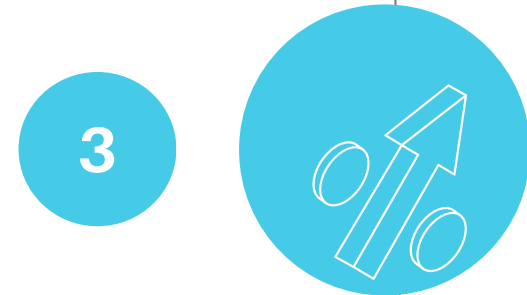
Purpose, Class of Property, Qualifications, Duration, Calculation



2

History

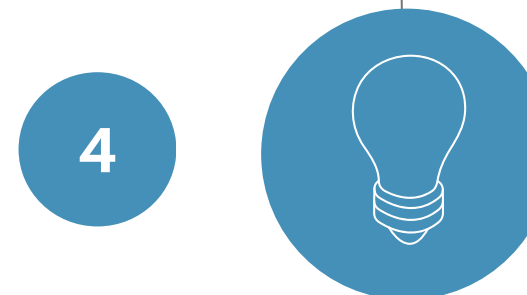
Legislative History, Historical Trend, Other Observations



3

Current State

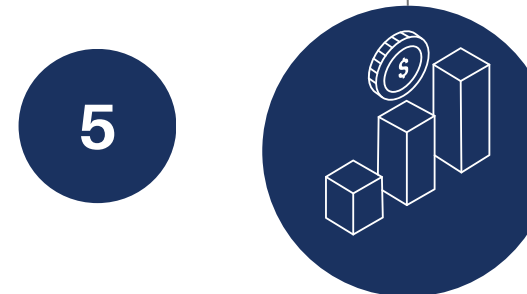
Current Heat Maps, Top Neighborhoods



4

Benchmarking

Comparison to Other Counties, How Homeowners View the THTC



5

Policy Choices

Targeted Homeowners Tax Credit

Background



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Targeted Homeowners Tax Credit (THTC)

1 Purpose

- The THTC is designed to directly reduce a homeowners' overall tax burden.
- The THTC reduces the homeowners' effective tax rate by the equivalent of 20 cents, reducing the effective rate from \$2.248 to \$2.048.

2 Class of Property

- The Homestead Property Tax Credit applies only to **owner-occupied residential property**.

3 Qualifications

- Homeowners must be eligible for the Homestead Tax Credit, by submitting a one-time application to SDAT confirming that the property is their primary residence.

4 Duration

- Indefinite as long as the dwelling is an owner-occupied unit.
- The THTC **does not** reset after a sale or transfer of property.



Targeted Homeowners Tax Credit Calculation

The THTC is calculated by first determining the total City cost of a 20-cent rate reduction to all eligible owner-occupied properties.

That amount is then distributed as a rate reduction on only the “improvement” assessed value of the property.

This can result in some homeowners getting slightly more or less than a true 20-cent reduction on their total assessed value.

<u>Gross Property Tax</u>	
Land Value	\$20,000
Improvement Value	<u>\$100,000</u>
Total Value	\$120,000
Tax Rate	2.248%
Gross Property Tax	\$2,698
<u>Targeted Homeowners Tax Credit</u>	
Improvement Value	\$100,000
Credit Rate	0.200%
Credit Value	(\$200)
Net Taxes Owed	\$2,498

Targeted Homeowners Tax Credit

History



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THTC History

CREATION

Introduced in March 2012 by Mayor Rawlings-Blake as the "20 Cents by 2020 Initiative."

COST

Proposal was to phase-in the cost of THTC with new Horseshoe Casino lease revenues beginning in FY 2014. As Horseshoe revenues fell short of original projections the General Fund absorbed more of the cost. In FY 2024 the total cost of the THTC is \$27.5M compared to Horseshoe revenue of \$12.6M.

LIMITS

In FY 2022 the program was restricted to Homestead-eligible homeowners only, which reduced the participants by 33,000 from 110,000 to 77,000 properties total.

PAUSE

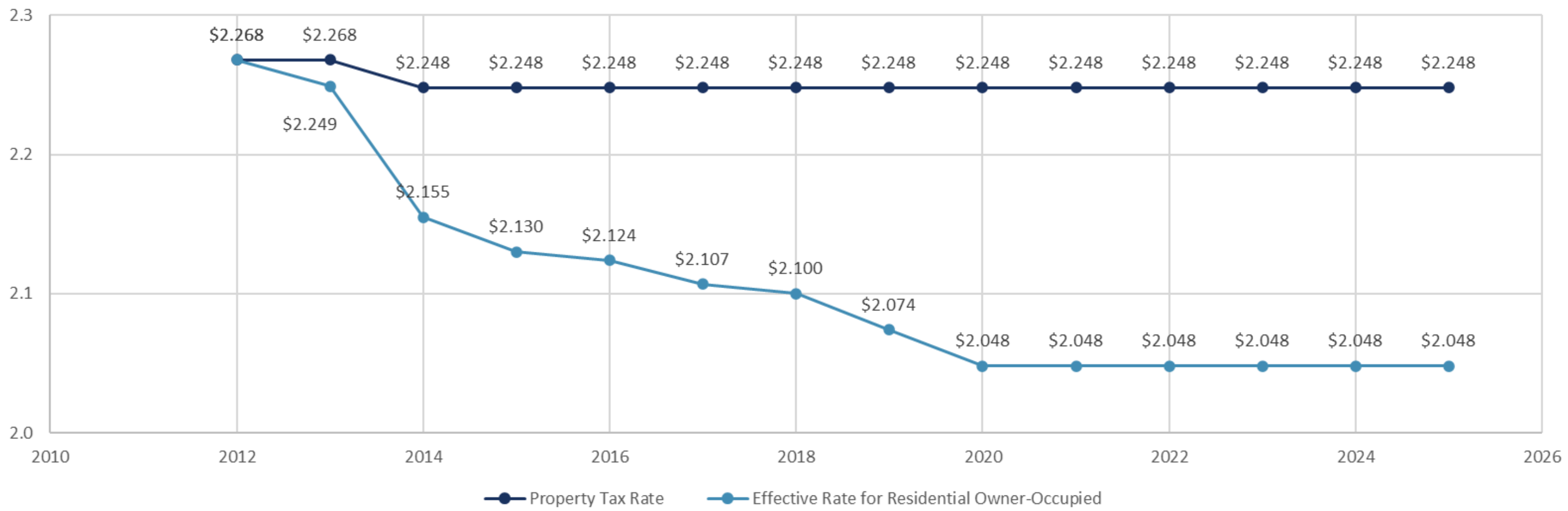
The THTC reached the 20 Cents goal as planned in 2020. Further progress was considered but paused due to the fiscal impact of COVID-19 and Kirwan.



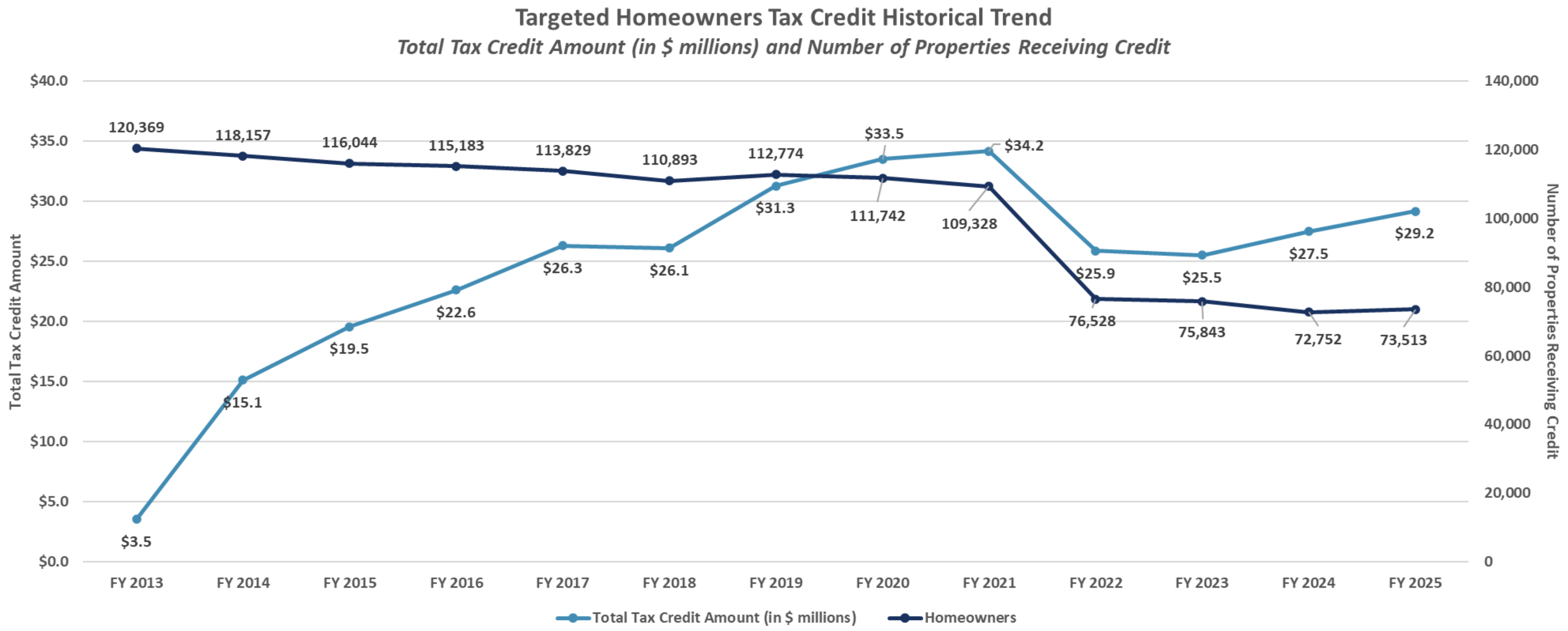
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Targeted Homeowners Tax Credit: Impact on “Effective” Rate for Homeowners

Effective Property Tax Rate History (Per \$100 of Assessed Value)
Fiscal 2012 to Fiscal 2025



Targeted Homeowners Tax Credit: Historical Trend



Other Observations

Efficiency

- 1 A reduction in the tax rate generally lowers the distortion of a tax, but since this reduction is for owner-occupied properties only it increases the relative burden on commercial, industrial, and non owner-occupied housing.



Equity

- 1 A rate reduction reduces the tax burden by an equal proportion across all parcels of owner-occupied housing.
- 2 The absolute value of relief is greater for higher-valued property.



Targeted Homeowners Tax Credit

Current State

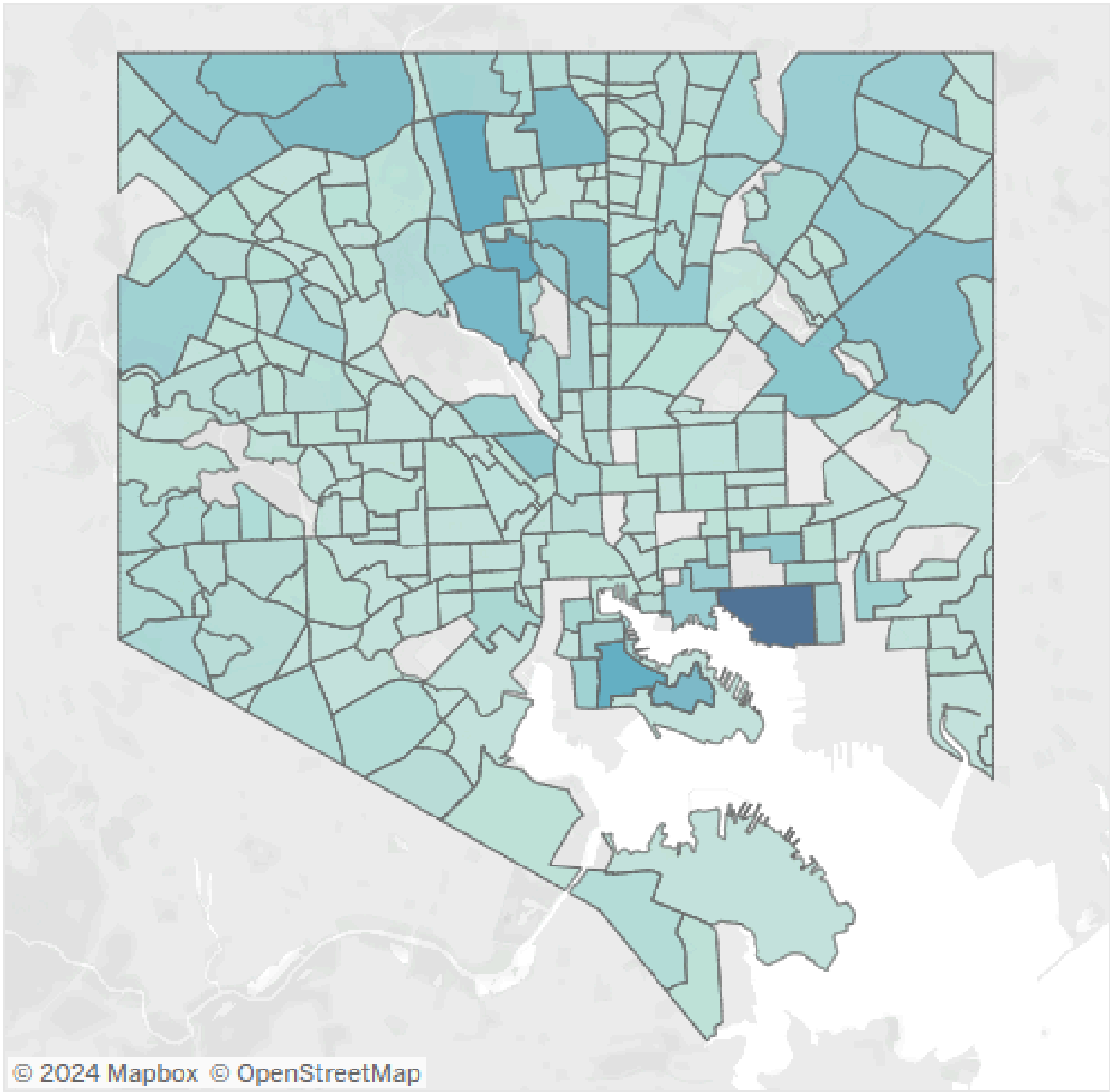
Targeted Homeowners Tax Credit

Top Neighborhoods

Total Credit Amount
Fiscal 2025

Neighborhood	Total Credit Amount
Canton	\$1,772,285
Riverside	\$875,002
Roland Park	\$840,593
Hampden	\$710,723
Locust Point	\$682,873
Homeland	\$626,684
Mount Washington	\$623,683
Guilford	\$602,977
Frankford	\$536,578
Cheswolde	\$508,673

Total Targeted Homeowners Tax Credit Value by Neighborhood
Fiscal 2025



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Targeted Homeowners Tax Credit

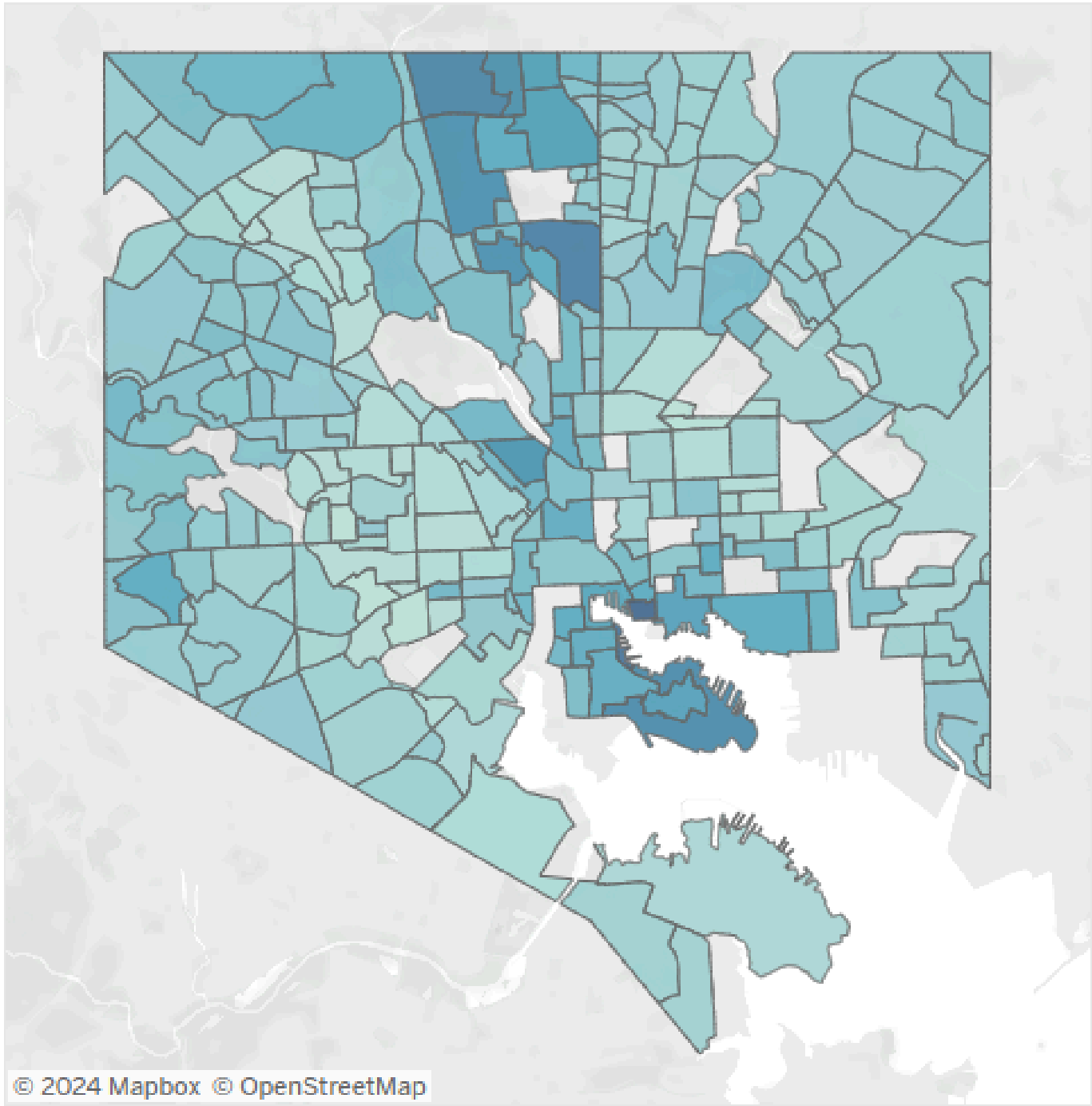
Top Neighborhoods

Average Credit Amount
Fiscal 2025

Neighborhood	Average Credit Amount
Harbor East	\$1,327
Key Highway	\$1,195
Guilford	\$1,084
North Roland Park/Poplar Hill	\$1,044
Locust Point Industrial Area	\$982
The Orchards	\$968
Roland Park	\$935
Bolton Hill	\$881
Bellona-Gittings	\$795
Homeland	\$793

Note: Map and Table exclude outlier neighborhoods
Blythewood (\$2,171) and Loyola/Notre Dame (\$1,842).

Average Targeted Homeowners Tax Credit Value by Neighborhood
Fiscal 2025

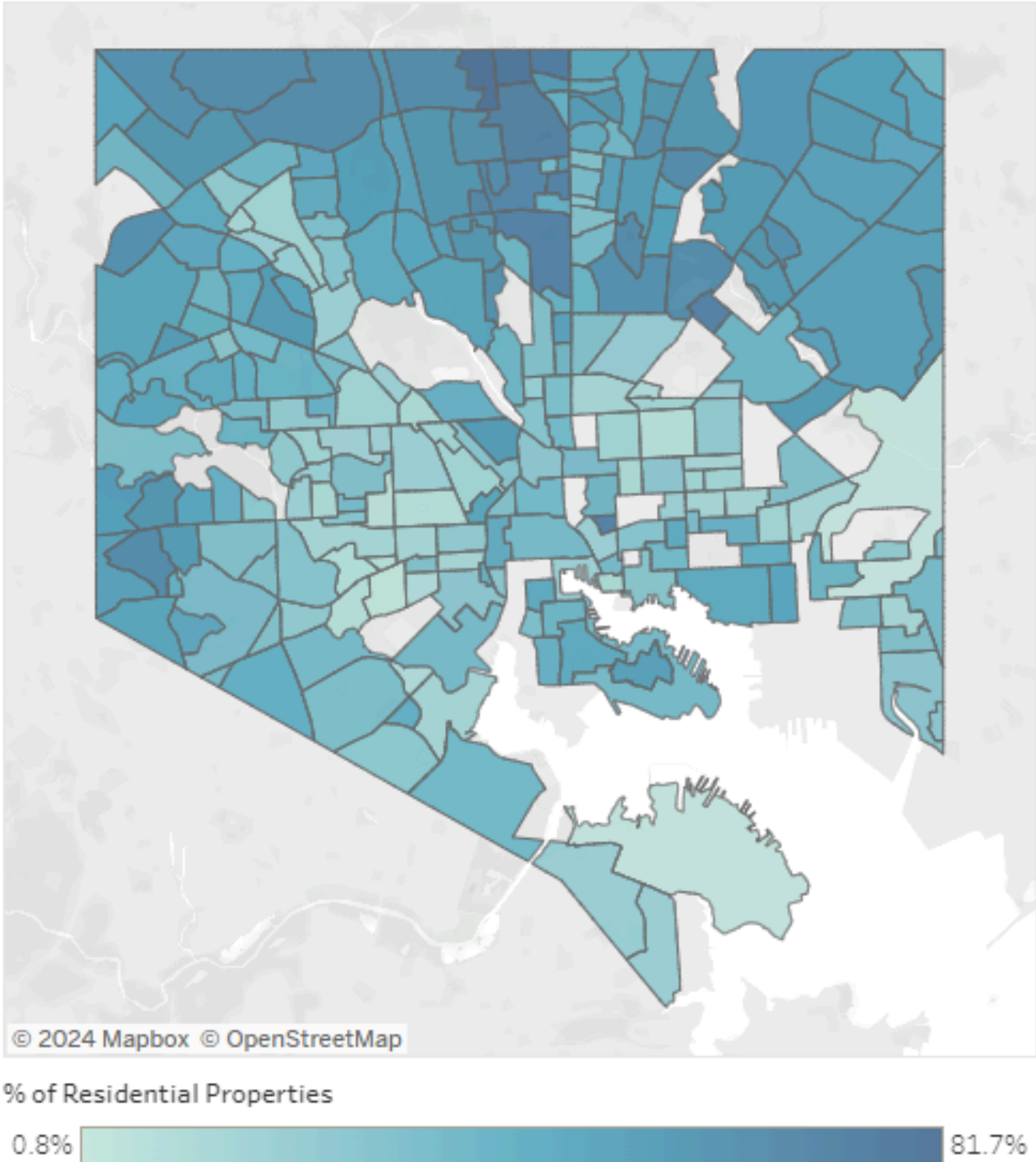


Targeted Homeowners Tax Credit

Top Neighborhoods
% of Residential Properties Receiving
Fiscal 2025

Neighborhood	% of Residential Properties Receiving THTC
The Orchards	81.7%
Bellona-Gittings	78.4%
Cedarcroft	75.3%
Homeland	72.7%
Radnor-Winston	70.8%
Pleasant View Gardens	70.4%
Mayfield	70.2%
Guilford	70.1%
Evergreen	67.1%
Loyola/Notre Dame	66.7%

Percent of Residential Properties Receiving THTC by Neighborhood
Fiscal 2025



Tax Credit Workgroup

Benchmarking

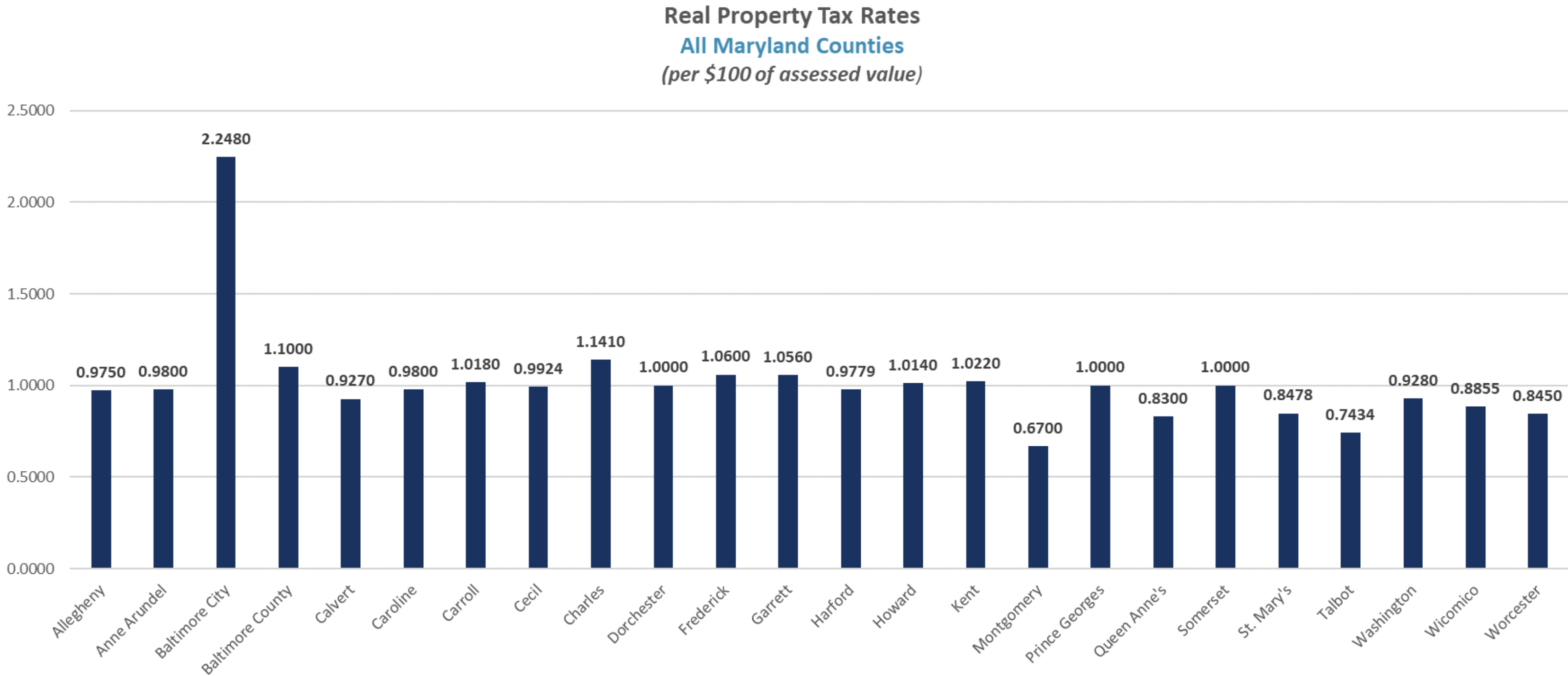


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County Tax Rates

How does the City's tax rate compare?

The City's rate of \$2.248 is by far the highest in the State of Maryland



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Combined County and Municipal Tax Rates

How does the City's tax rate compare?

Jurisdiction		Real Property Tax Rate		
Municipality	County	Municipal	County	Total
Baltimore City	Baltimore City	0.0000	2.2480	2.2480
Cumberland	Allegany	1.0595	0.8183	1.8778
Hagerstown	Washington	1.0020	0.8030	1.8050
Cambridge	Dorchester	0.8096	0.9267	1.7363
Greenbelt	Prince Georges	0.8275	0.8680	1.6955
Frederick	Frederick	0.7305	0.9552	1.6857
Elkton	Cecil	0.6356	0.9924	1.6280
Bladensburg	Prince Georges	0.7400	0.8810	1.6210
Mount Rainier	Prince Georges	0.7500	0.8700	1.6200
Westmister	Carroll	0.5600	1.0180	1.5780
Laurel	Prince Georges	0.7100	0.8440	1.5540
Hyattsville	Prince Georges	0.6300	0.8630	1.4930
New Carrollton	Prince Georges	0.5933	0.8740	1.4673
Aberdeen	Harford	0.6250	0.8413	1.4663
Havre de Grace	Harford	0.5650	0.8413	1.4063
Bel Air	Harford	0.5400	0.8413	1.3813
La Plata	Charles	0.3200	0.9990	1.3190
College Park	Prince Georges	0.3018	0.9630	1.2648
Bowie	Prince Georges	0.4000	0.8640	1.2640
Takoma Park	Montgomery	0.5522	0.6700	1.2222
Mount Airy	Carroll	0.1662	1.0180	1.1842
Easton	Talbot	0.5200	0.6105	1.1305
Rockville	Montgomery	0.2920	0.6700	0.9620
Gaithersburg	Montgomery	0.2620	0.6700	0.9320
Annapolis	Anne Arundel	0.7380	0.0586	0.7966

Residents of unincorporated areas pay property tax only to their county of residence.

Residents of municipalities pay both a county tax rate and a municipal tax rate. 26% of residents in Maryland in an a municipality.

To compensate municipalities for providing services in lieu of similar county services, many Maryland counties provide a rate "rebate" for municipal residents to ensure that they are not double taxed.

Baltimore's rate is still the highest when compared to the combined county and municipal rate for other Maryland municipalities but looks more competitive.

Note: Includes Maryland municipalities with population over 10,000.

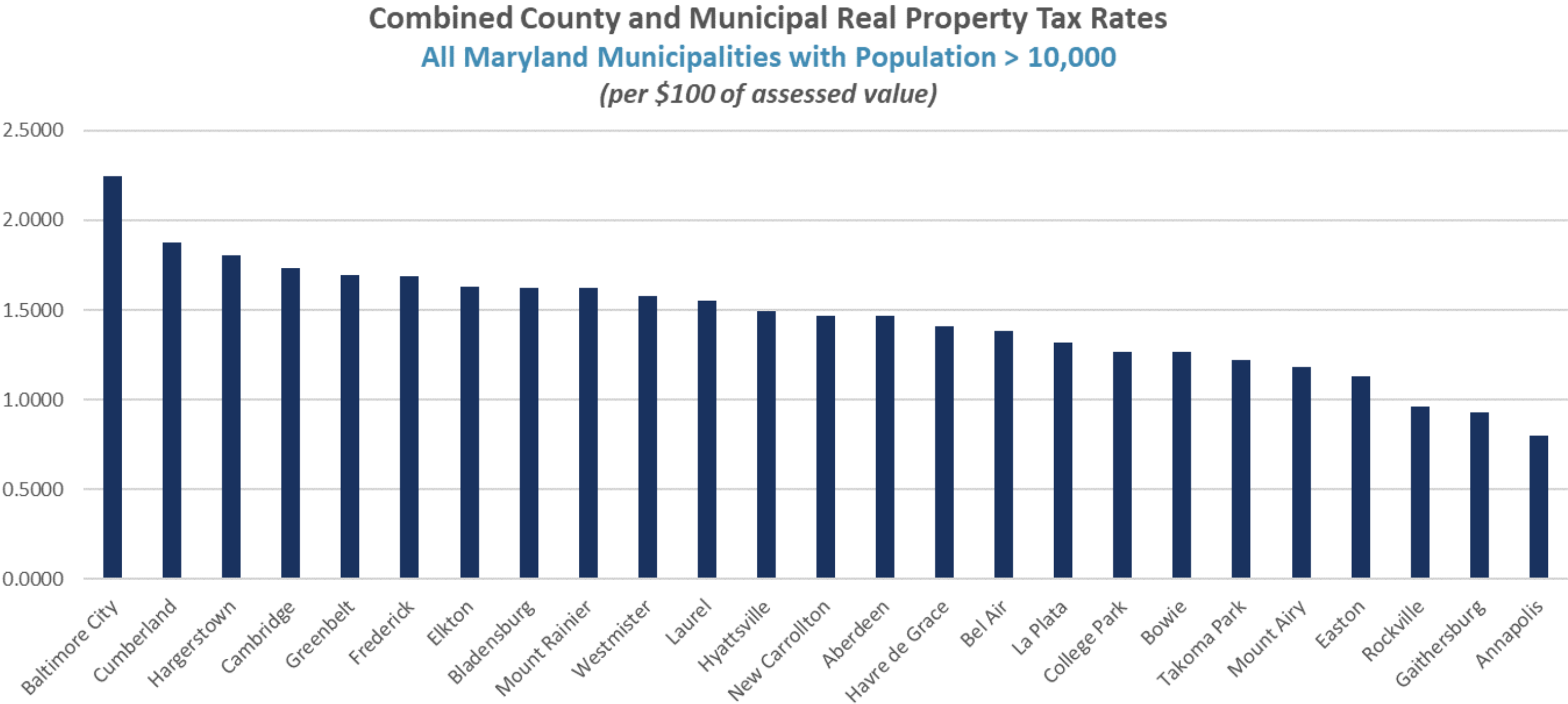


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Combined County and Municipal Tax Rates

How does the City's tax rate compare?

The City's rate is still the highest but looks more competitive when compared to other municipalities.



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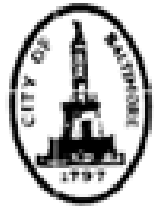
Targeted Homeowners Tax Credit

Do residential homeowners understand the impact of the THTC?

Online Bills:

TAX DESCRIPTION	ASSESSMENT	RATE	TAX
STATE TAX	424,700.00	0.112%	\$475.66
CITY TAX	424,700.00	2.248%	\$9,547.26
TOTAL TAX			\$10,022.92
SPECIAL CREDIT			(\$864.03)
PAID 12/22/23 21.71-			(\$9,190.72)
OTHER CHARGES			\$53.53

Mailed Bills:



MAYOR AND CITY COUNCIL - BALTIMORE
REAL PROPERTY TAX LEVY
JULY 1, 2022 TO JUNE 30, 2023

BUREAU OF REVENUE COLLECTIONS
100 HOLLIDAY STREET
BALTIMORE, MD 21202

TELEPHONE INQUIRIES:
BILLING 410-396-3000
IYR REFERENCE 2236380000400
STATE DEPARTMENT OF ASSESSMENTS 410-767-8220
STATE HOMEOWNER CREDIT 410-767-4433

ORIGINAL 0701-01

PROPERTY IDENTIFIER
WD SECTION BLOCK LOT
12 030 3638 004

LOT DIMENSIONS
13-8X70
PRINCIPAL RESIDENCE

CONSTANT YIELD \$2.238 DIFFERENCE \$.010

MCMAIN, HATTIE
THE ESTATE OF HATTIE MCMAIN
108 SPRINGFLOWER PLACE
MAGNOLIA, DE 19962

ASSESSED PROPERTY:
2631 N HOWARD ST

TAX DESCRIPTION	ASSESSMENT	RATE	TAX
STATE TAX	133,000	\$.1120	148.96
CITY TAX	133,000	\$2.2480	2,989.84
TOTAL TAX			3,138.80
CITY HOMESTEAD CREDIT			471.87-
SPECIAL CREDIT			202.21
NET TAX AMOUNT			2,464.92

SEMIANNUAL PAYMENT SCHEDULE

1ST INSTALLMENT

IF PAID BY	DISCOUNT & PEN	PAY THIS AMOUNT
07/31/2022	5.79	1,226.67
08/31/2022		1,232.46
09/30/2022		1,232.46

2ND INSTALLMENT

IF PAID BY	SERV. CHARGE	PAY THIS AMOUNT
12/31/2022	2.47	1,234.93

SERVICE FEE RATE FOR SEMIANNUAL IS: .2000% FEE: 2.47

ANNUAL PAYMENT SCHEDULE

IF PAID BY	DISCOUNT & PEN	PAY THIS AMOUNT
07/31/2022	11.98	2,453.34
08/31/2022		2,464.92
09/30/2022		2,464.92

THE CITY TAX RATE IS \$2.2480/\$100 OF ASSESSMENT. THE RATE YOU PAID AFTER ALL CREDITS AND EXEMPTIONS IS \$1.7413/\$100 OF ASSESSMENT. THE SPECIAL CREDIT INCLUDES \$202.21 IN TARGETED HOMEOWNERS TAX CREDIT.

RPTB01 Rev 3 10/21

Printed bills provide more details on the special credits applied to a homeowners bill such as the amount for the THTC.

Targeted Homeowners Tax Credit

Policy Options

Targeted Homeowners Tax Credit: Policy Options



1

Change from Rate Reduction to Dollar Reduction
(no cost, requires City legislation)

2

Replace THTC with a Residential Tax Rate
(no cost, requires State legislation)

3

Calculate on Total Value rather than Improved
(no cost, requires City legislation)

4

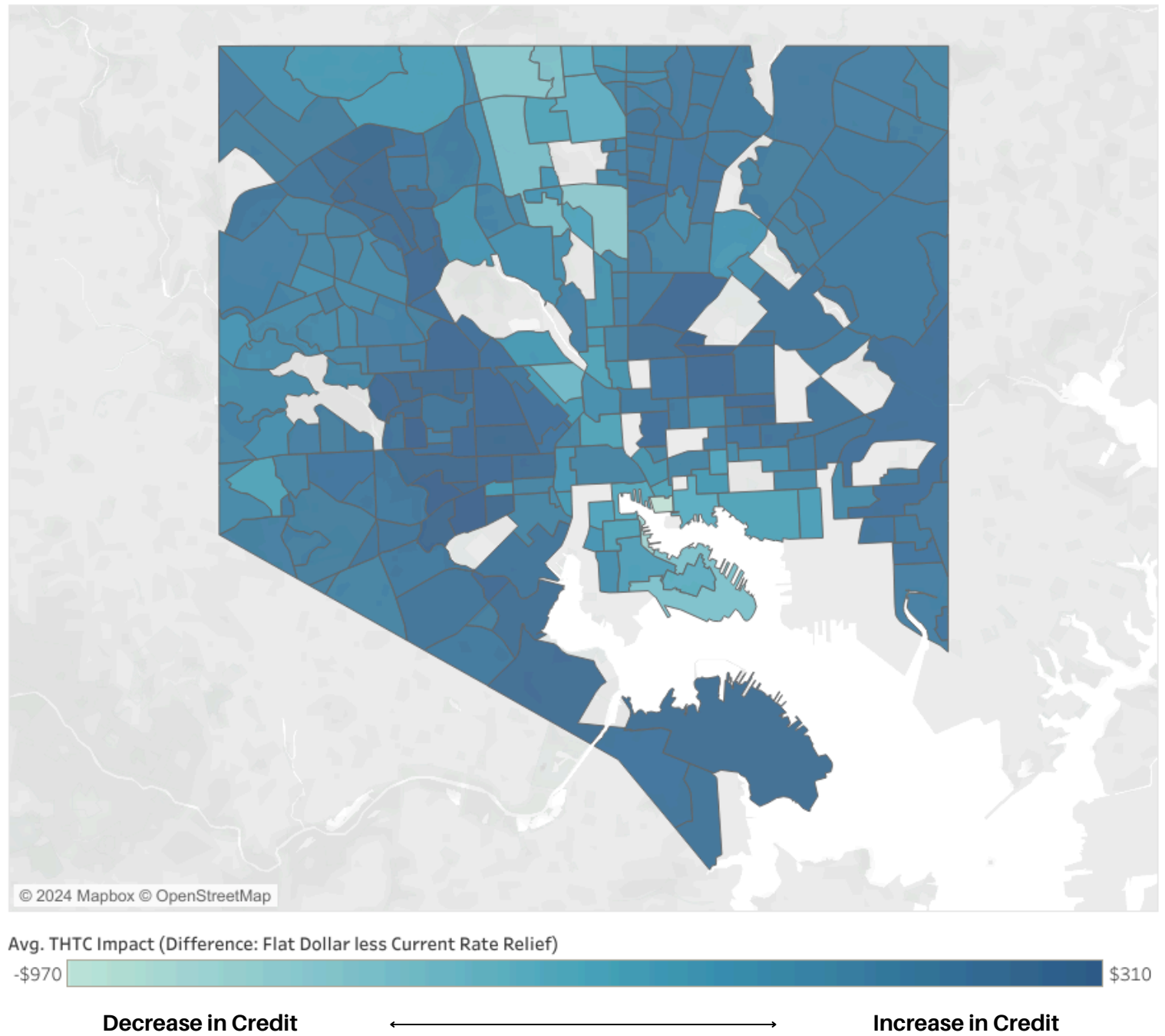
Direct Future Savings to Rate Relief
(cost TBD, no legislation required)



Targeted Homeowners Tax Credit Options

#1: Change THTC from a Rate Reduction to a Dollar Reduction Credit

Average THTC Impact by Changing THTC Relief
Flat Dollar Relief versus Current THTC Rate Relief
Fiscal 2025 Information



Key Takeaways

This change would result in a net tax increase on property owners with assessed improvement values of \$150,900 and above in Baltimore.

This option would also eliminate the City's ability to effectively implement the previous option because the flat-dollar method would distort the tax rate for all homeowners.

Cost

There is **no cost** to this proposal. The City would simply redirect the current budget (\$27.5 million) and apply an equal \$396 reduction to each eligible property.

Legislation

This change would require a change in the City Code only. No State legislation required.

Targeted Homeowners Tax Credit Options

#2: Replace THTC with a Residential Owner-Occupied Tax Rate



Key Takeaways

The “effective” rate for owner-occupied properties is \$2.048 but the City still suffers from the “headline” perception that its’ tax rate is twice as high as surrounding counties.

Cost

There is **no cost** to this proposal. The City would simply eliminate the THTC and implement a direct \$2.048 rate for residential owner-occupied properties.

Legislation

This change would require State legislation. The Maryland Constitution requires uniformity in **County** tax rates, but HB2 which passed in 2024 now allows county’s to charge differential rates for classes of property deemed “vacant.” **Municipalities** already have the authority to create differential tax rates.

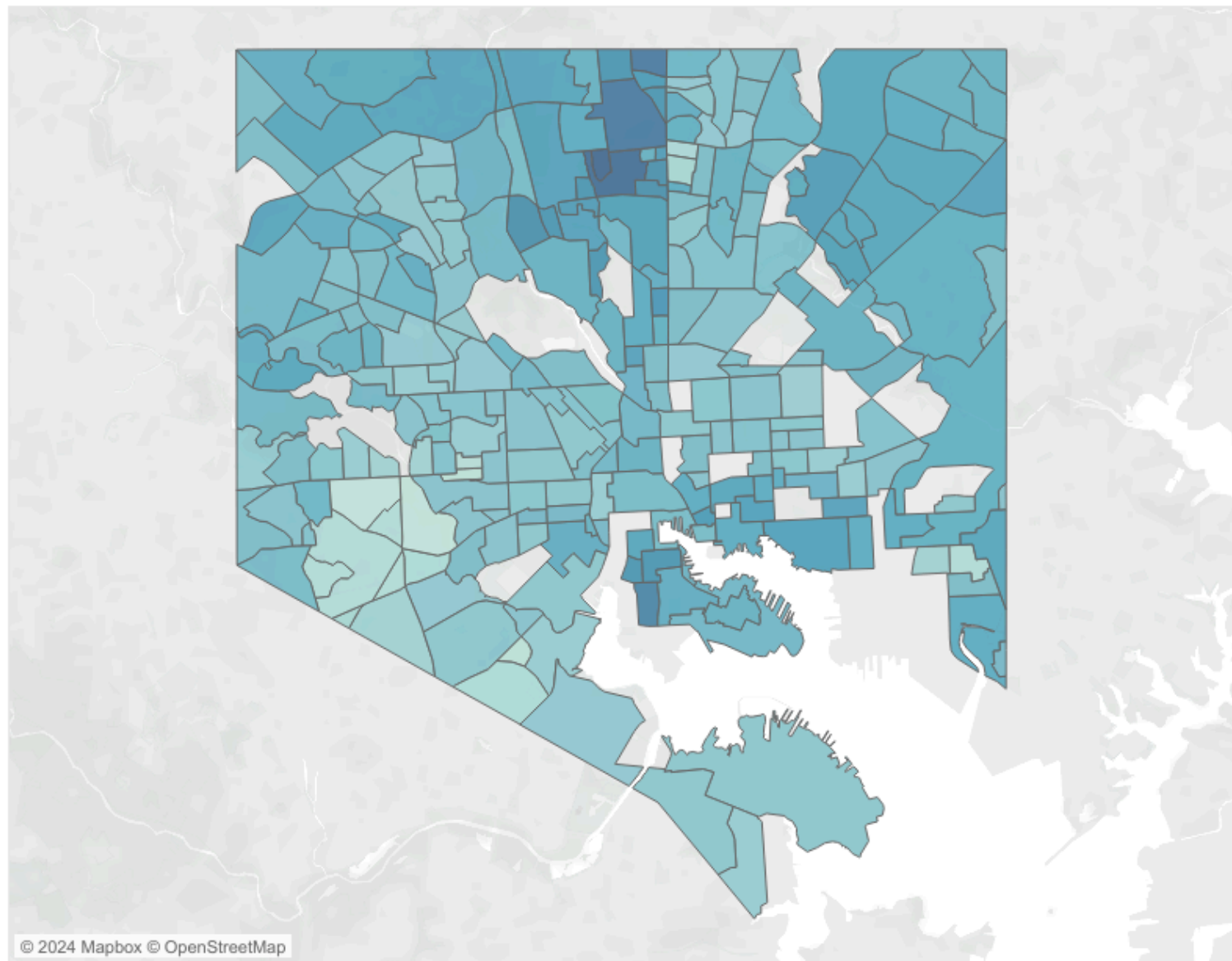


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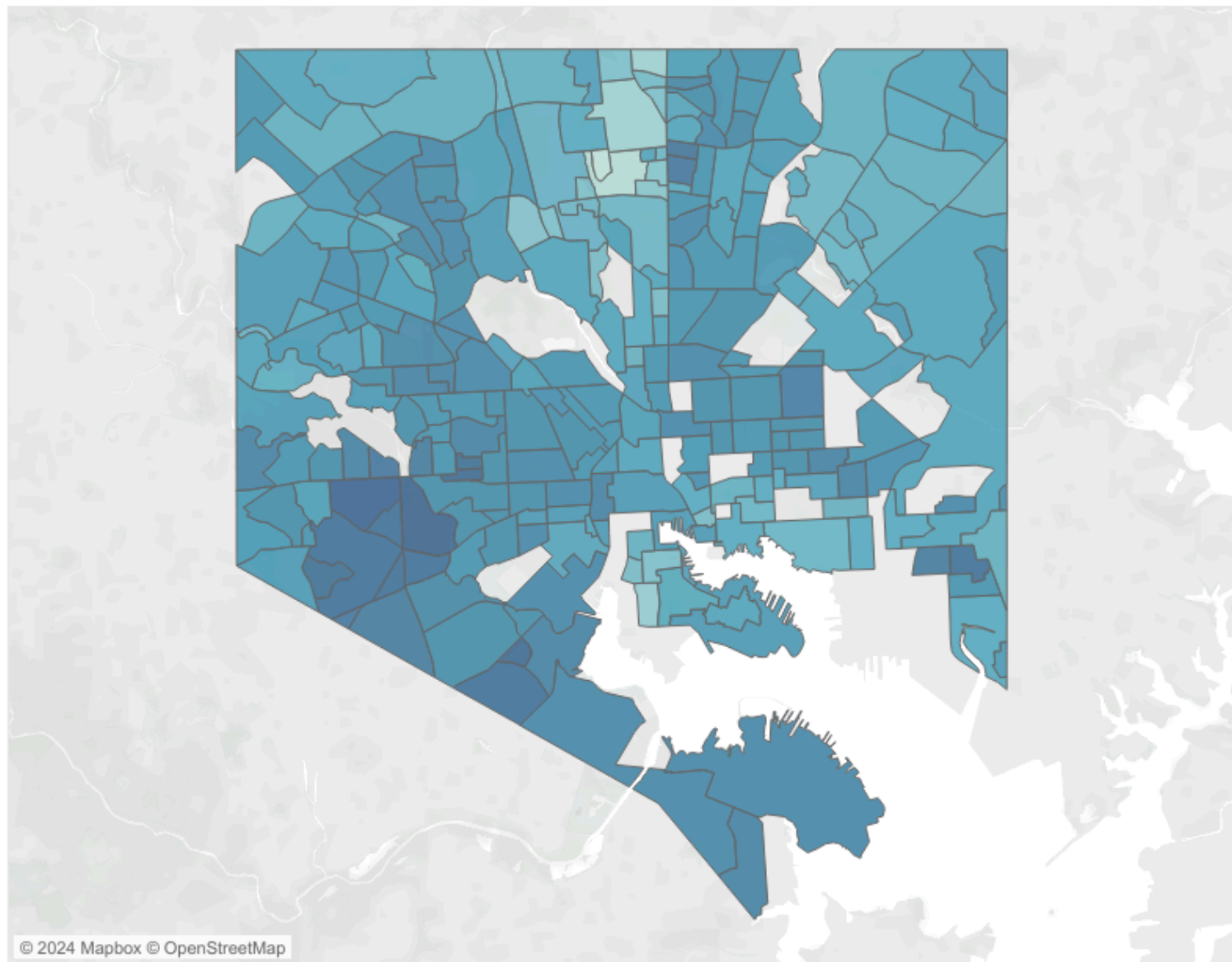
Targeted Homeowners Tax Credit Options

#3: Calculate THTC Based on Total Value rather than Improved Value

Average Land Value Relative to Total Assessed Value
Land % By Neighborhood
Fiscal 2025 Information

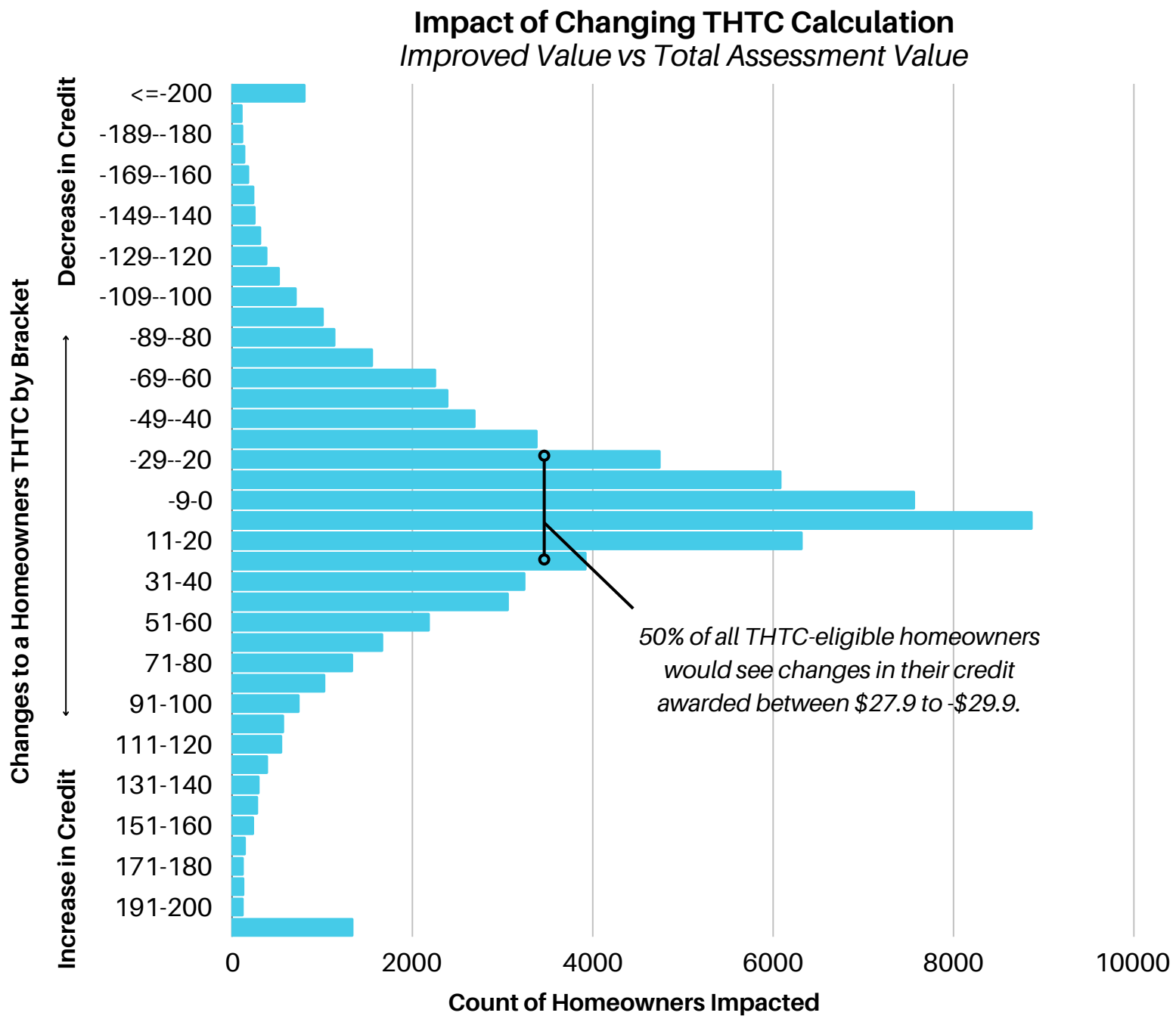


Average Improvement Value Relative to Total Assessed Value
Improvement % By Neighborhood
Fiscal 2025 Information



Targeted Homeowners Tax Credit Options

#3: Calculate THTC Based on Total Value rather than Improved Value



Key Takeaways

Calculating the credit based on the Total Assessed Value is unlikely to be noticed by most taxpayers, given that the Land portion of the assessment is relatively small for most residential owner-occupied properties.

Using FY 2025 tax bills as an example, 50% of 75,500 THTC-eligible homeowners would see a change of \$27.9 to (\$29.9) on their annual property tax bill. Of all homeowners, 92.2% would see a change in the range of \$120 to (\$120), an effective increase/decrease of \$10 per month.

Cost

There is **no cost** to this proposal. The City would simply redirect the current budget (\$27.5 million) and apply an exact 20-cent reduction to each eligible property.

Legislation

This change would require a change in the City Code only. No State legislation required.

Targeted Homeowners Tax Credit Options

#4: Direct Future Savings to Rate Relief



Key Takeaways

Any budgeted savings can be redirected to rate relief, but tax credit reform is an ideal source because savings can be phased-in slowly over time.

Incremental rate relief sends a signal to taxpayers that the City is making progress on tax reduction, while also providing a more measured path to protect overall budget stability.

Cost

Each \$2.1 million = 1-cent reduction in owner-occupied rate

Each \$5.1 million = 1-cent reduction in overall rate

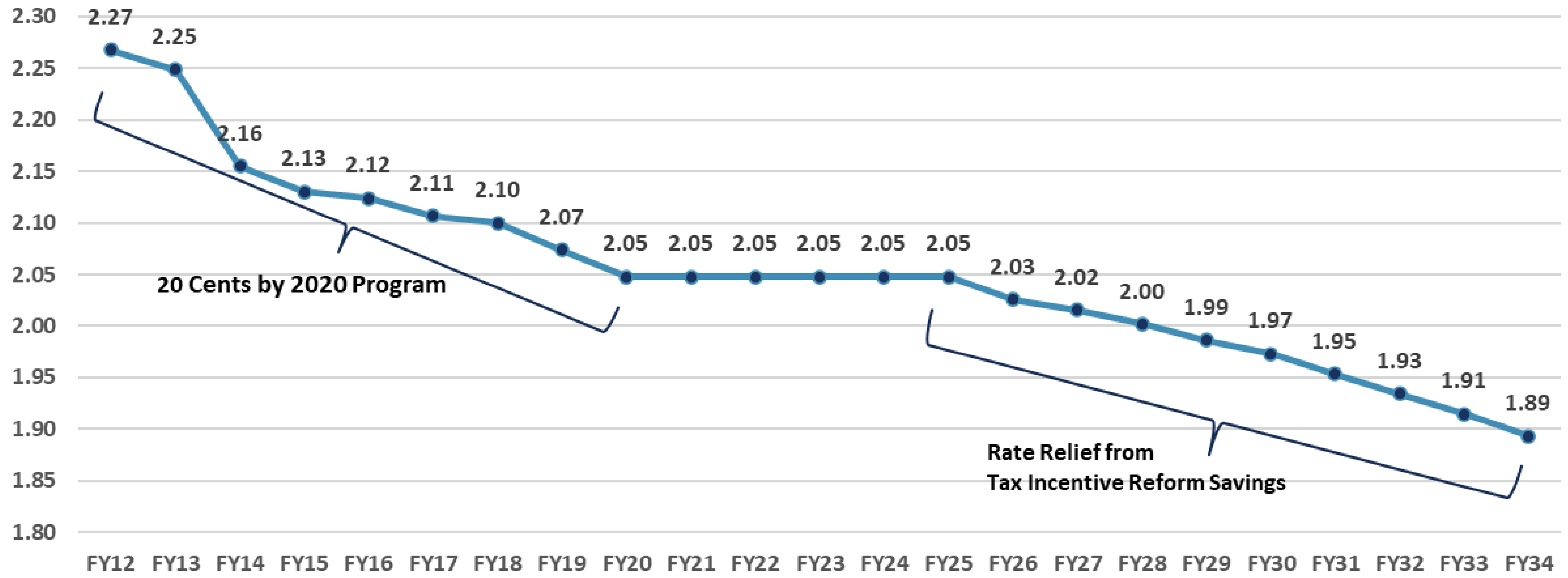
Legislation

No legislation required. Tax rate reduction can be proposed by Mayor in the annual budget and must be approved by Council.



Rate Relief Example: \$20 million savings

Directed to 15 cents of rate relief for residential homeowners, phased-in over 10 years



Tax Credit Workgroup

Wrap-Up



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Mayor

Discussion and Deliberation

- 1 Is the Targeted Homeowners Tax Credit a clear and effective way of delivering tax relief? Why or why not?
- 2 Should any tax credit savings or incremental revenues be dedicated to tax relief or other more critical investments?
- 3 Is rate relief best directed to residential homeowners, or to rate relief at large?
- 4 Are there any other factors that we should be considering?

