

Mayor's Tax Credit Workgroup

State Homeowners' &
City Supplemental
Tax Credit

June 11, 2024

BMORE BUDGET



Brandon M. Scott
Mayor



Schedule Update & THTC 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 High-Performance Newly Constructed Tax Credit
- Aug 27 2 High-Performance Market-Rate Rental Housing Tax Credit
- Sept 26 3 Historic (CHAP) Tax Credit
- Oct 22 4 Enterprise Zone (EZ) Tax Credit
- Nov 26 5 Brownfields Tax Credit

Targeted Homeowner's Tax Credit Recap

What I Heard from the Workgroup....

1

An **understanding** of the reasons why the City created the Targeted Homeowners Tax Credit, in an effort to reduce the effective rate for residential owner-occupied properties.

2

Openness towards the idea of seeking a residential only rate via State legislation, similar to how we asked for a vacant-only rate via HB2 in the 2024 session.

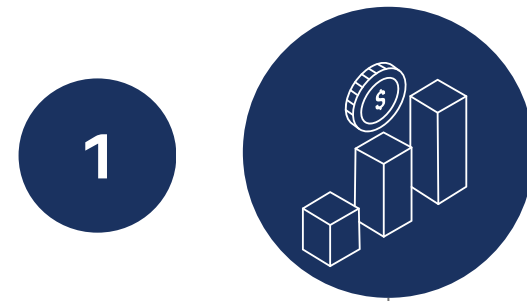
3

Confusion about the current structure of the Targeted Homeowners Tax Credit, whereby the law requires us to calculate the credit based on the property's Improved Assessed Value only (rather than the Total Assessed Value).



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Today's Agenda



1

Background

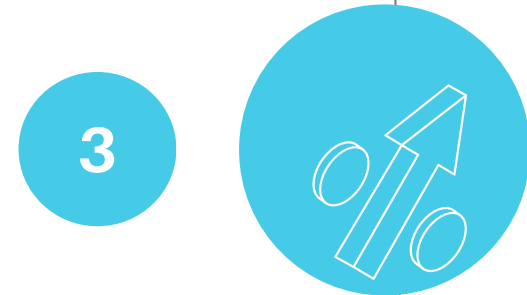
Purpose, Qualifications, Duration, Calculation



2

History

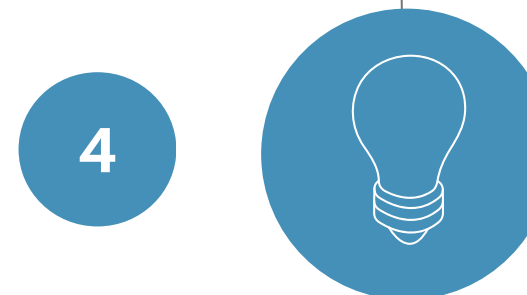
Legislative History, Historical Trend



3

Current State

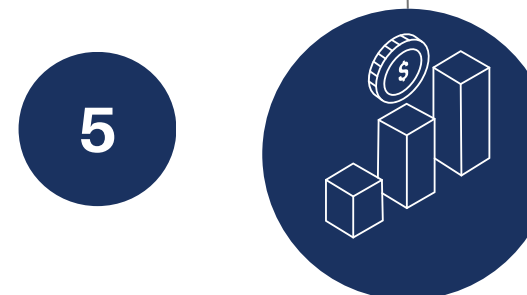
Current Heat Maps, Top Neighborhoods



4

Benchmarking

Comparison to Other Counties, Utilization, Outreach Efforts



5

Policy Choices

State Homeowners' Tax Credit Background

State Homeowners' Tax Credit - Basics

1 Purpose

- The State Homeowners' Tax Credit is designed to limit the amount of property taxes any homeowner must pay based upon his or her income.

2 Class of Property

- The State Homeowners Tax Credit applies only to those who either own or have a legal interest in the property.
- The dwelling for which the application is being made must be the applicant's principal residence.

3 Timeline

- Enrollment is not automatic and a new application must be submitted each fiscal year.
- April 15 deadline - Approved applications are deducted for the initial July 1 tax bill.
- October 1 final deadline - Approved applications allow tax bill to be re-calculated with credit.
- SDAT may accept an application within three years for eligible homeowners over 70 years old.

4 Funding

- The cost of the program is fully paid for by the State of Maryland.
- Local jurisdictions, including Baltimore City, can elect to add an additional supplemental benefit on top of the State benefit that further reduces the tax burden.



State Homeowners Tax Credit - Qualifications

1 Property

- The applicant must either own or have a legal interest in the property.
- The dwelling must be the applicant's principal residence which means the applicant lives there at least six months of the year, including July 1st.
- Only the taxes on the first \$300,000 of property assessment is used in the sliding scale.

2 Income

- **Total** household income may not exceed \$60,000 annually.
- Income includes all combined gross income regardless of source, including Social Security, pension benefits, unemployment insurance, and alimony, among others.

3 Net Worth

- Applicant's net worth may not exceed \$200,000.
- For net worth calculation purposes, applicant can exclude the value of the property and any qualified retirement savings plans or IRA's.



City Supplemental Tax Credit - Additional Qualifications

1 Age

- State Homeowners: No age restriction.
- City Supplemental: Applicant must be 62 years of age or older.

2 Income

- State Homeowners: Total household income may not exceed \$60,000.
- City Supplemental: Total household income may not exceed \$40,000.

3 Length of Residence

- State Homeowners: No length of residence restriction.
- City Supplemental: Applicant must have resided in the home for 10 years or greater.



State Homeowners Tax Credit Calculation

The State Homeowners Tax Credit sets a limit on the amount of property tax a homeowner must pay based on a sliding scale of household income.

The table to the right shows the maximum amount of property tax that can be paid for different household income levels. The applicant receives a credit for any tax amount above that limit.

Note:
For each additional \$1,000 of income up to the \$60,000 limit, \$90 is added to the tax limit.

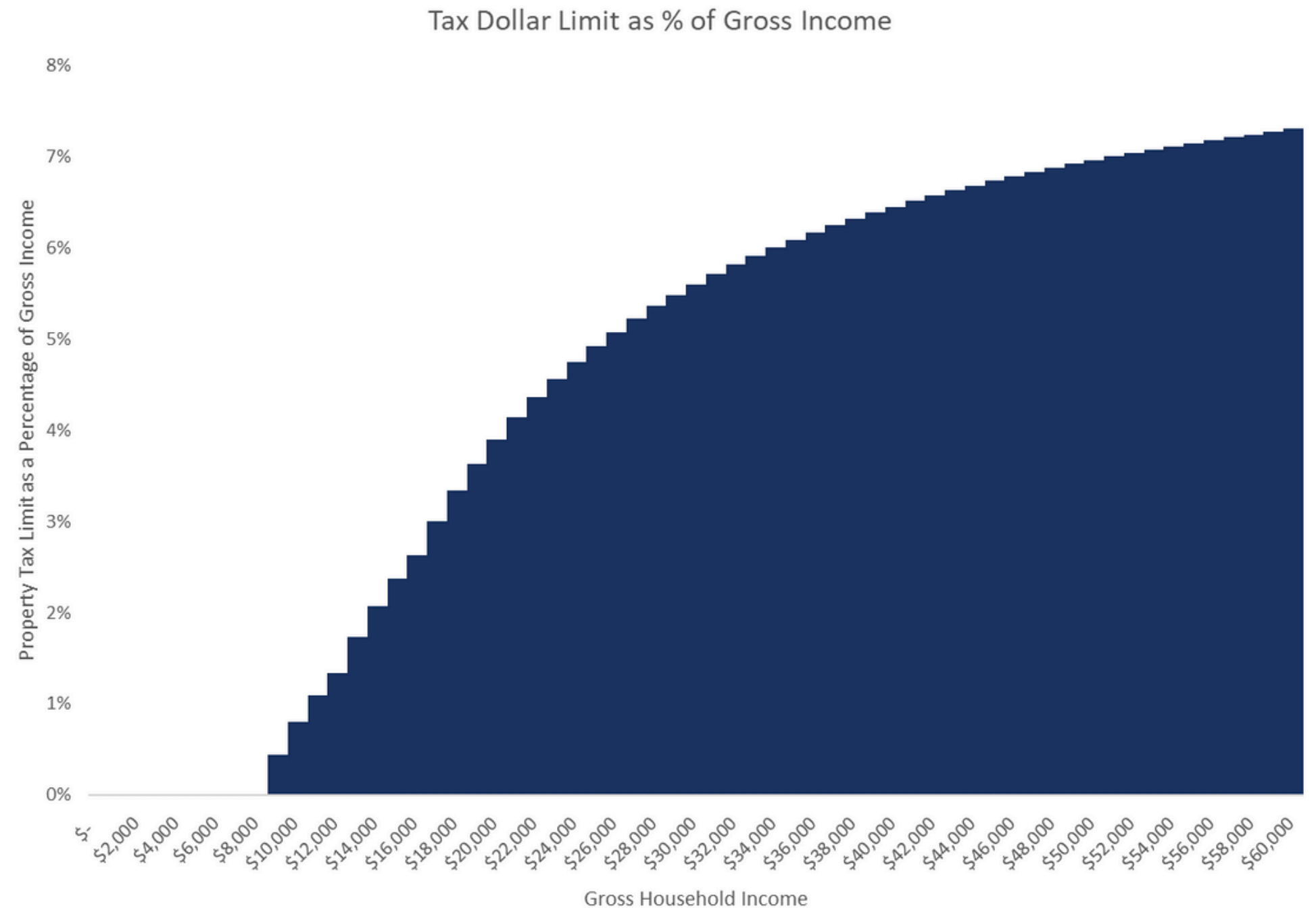
State Homeowners		City Supplemental	
Household Income	Tax Dollar Limit	Household Income	% of Income
< 8,000	0	< 12,000	0
9,000	40	16,000	3% of next \$4,000
10,000	80	20,000	7% of next \$4,000
11,000	120	40,000	9% of next \$20,000
12,000	160		
13,000	225		
14,000	290		
15,000	355		
16,000	420		
17,000	510		
18,000	600		
19,000	690		
20,000	780		
21,000	870		
22,000	960		
23,000	1,050		
24,000	1,140		
25,000	1,230		
26,000	1,320		
27,000	1,410		
28,000	1,500		
29,000	1,590		
30,000	1,680		

State Homeowners Tax Credit Calculation (cont.)

The exhibit to the right shows the same information graphically.

The limits are set as a maximum amount of property tax relative (as a percentage) to the gross household income from \$0 to \$60,000.

Note that there is a steep incline in the tax limit for small increase in income up to around the \$40,000 level, and then the limits begin to level out.



State Homeowners Tax Credit

How Does it Impact a Homeowners Tax Burden and Effective Tax Rate?

<u>Gross Property Tax</u>	
<i>Upton / Druid Heights</i>	
Property Assessment	\$70,200
State Tax Rate	0.112%
City Tax Rate	2.248%
Gross Property Tax	\$1,657
<u>State Homeowners Calculation</u>	
Household Income	\$21,530
State Taxable Limit	917
State Credit Amount	(\$740)
City Tax Limit	\$538
City Credit Amount	(\$379)
Net Taxes Owed	\$537.7
% Reduction	-67.5%
Effective Tax Rate	0.766%

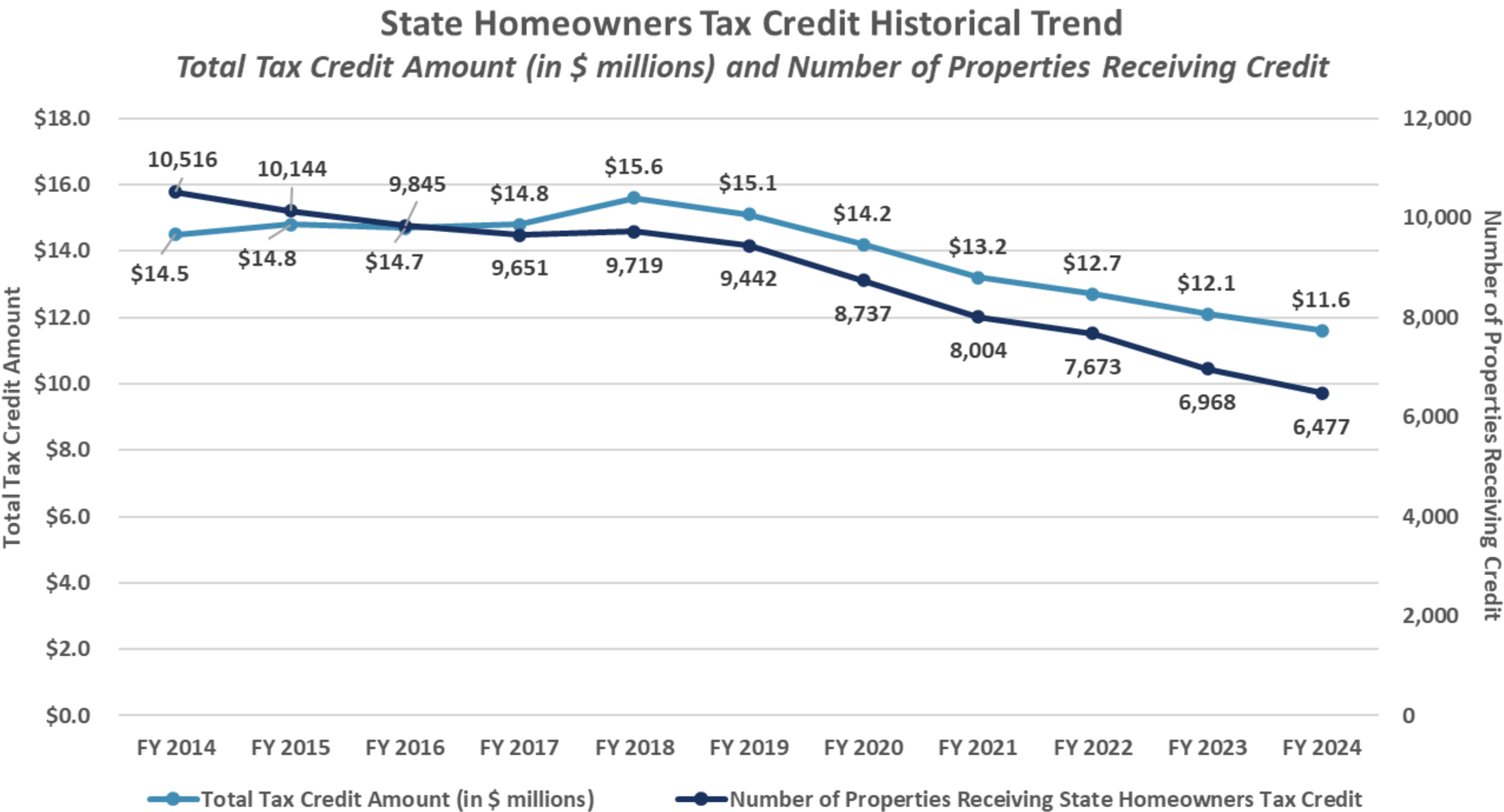
<u>Gross Property Tax</u>	
<i>Penn North / Reservoir Hill</i>	
Property Assessment	\$83,333
State Tax Rate	0.112%
City Tax Rate	2.248%
Gross Property Tax	\$1,967
<u>State Homeowners Calculation</u>	
Household Income	\$33,921
State Taxable Limit	1,673
State Credit Amount	(\$294)
City Tax Limit	\$1,653
City Credit Amount	(\$20)
Net Taxes Owed	\$1,653
% Reduction	-16.0%
Effective Tax Rate	1.983%

<u>Gross Property Tax</u>	
<i>Forest Park / Walbrook</i>	
Property Assessment	\$186,483
State Tax Rate	0.112%
City Tax Rate	2.248%
Gross Property Tax	\$4,401
<u>State Homeowners Calculation</u>	
Household Income	\$48,992
State Taxable Limit	3,029
State Credit Amount	(\$1,372)
City Tax Limit	*
City Credit Amount	*
Net Taxes Owed	\$3,029
% Reduction	-31.2%
Effective Tax Rate	1.624%

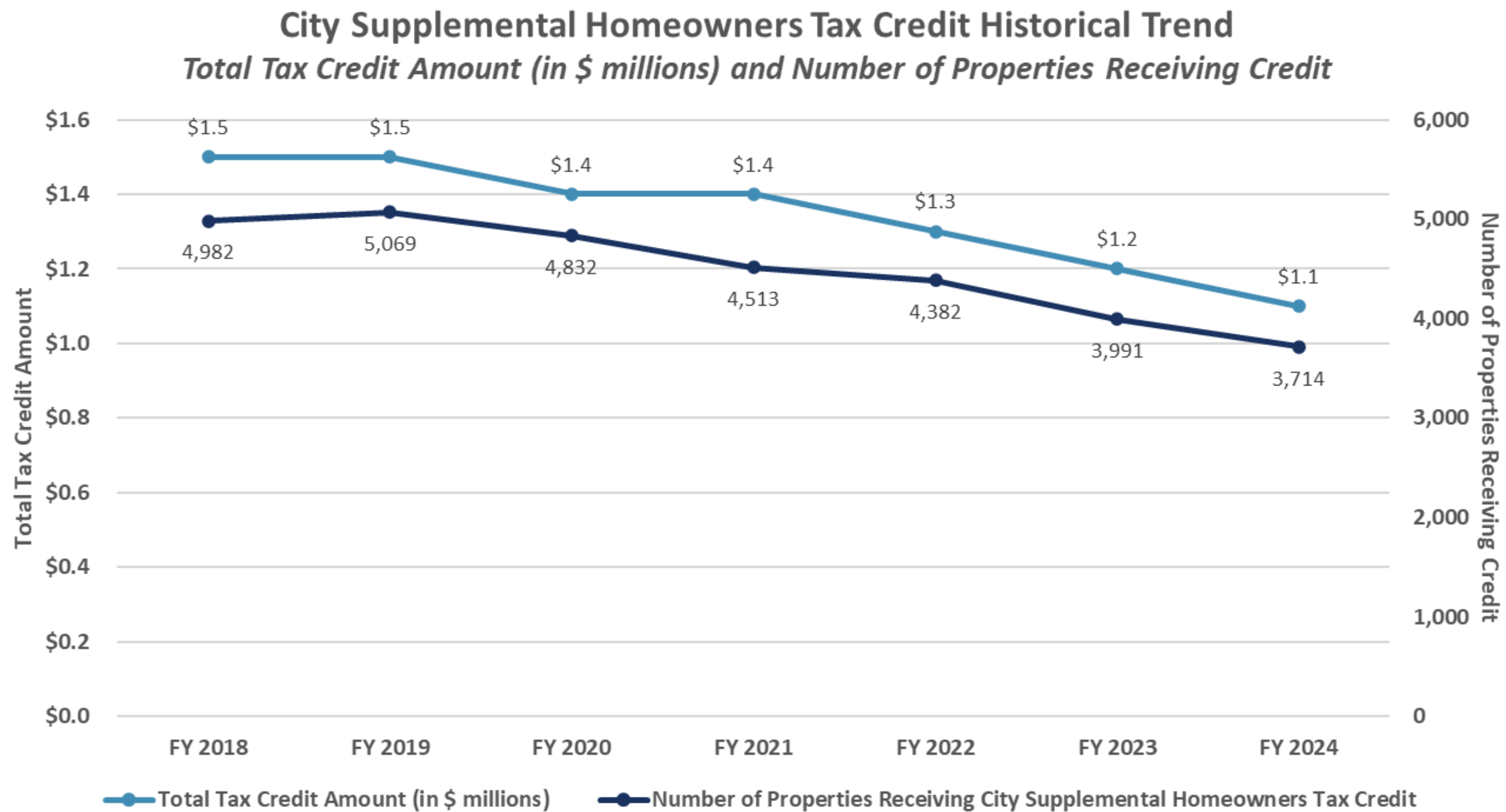


State Homeowners Tax Credit History

Historical Trend: State Homeowners Tax Credit



Historical Trend: Supplemental Tax Credit



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Recent Legislative Efforts

2022 - HB 1138 - DID NOT PASS

Proposal to allow qualifying homeowners to receive the Homeowners Tax Credit for subsequent fiscal years without requiring an additional application. Qualifying homeowner defined as being at least 65 years old, and does not have any income derived from a source other than Social Security benefits or a pension.

2023 - HB 898 - DID NOT PASS

Proposal to increase the household income limit from \$60,000 to \$87,000, to require SDAT to index the amount with inflation every three years, and to make the caps at each income level more generous.

2024 - HB 44 - DID NOT PASS

Proposal to increase the household income limit from \$60,000 to \$70,000, and to increase the maximum property tax assessment from \$300,000 to \$450,000.



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State Homeowners Tax Credit

Current State

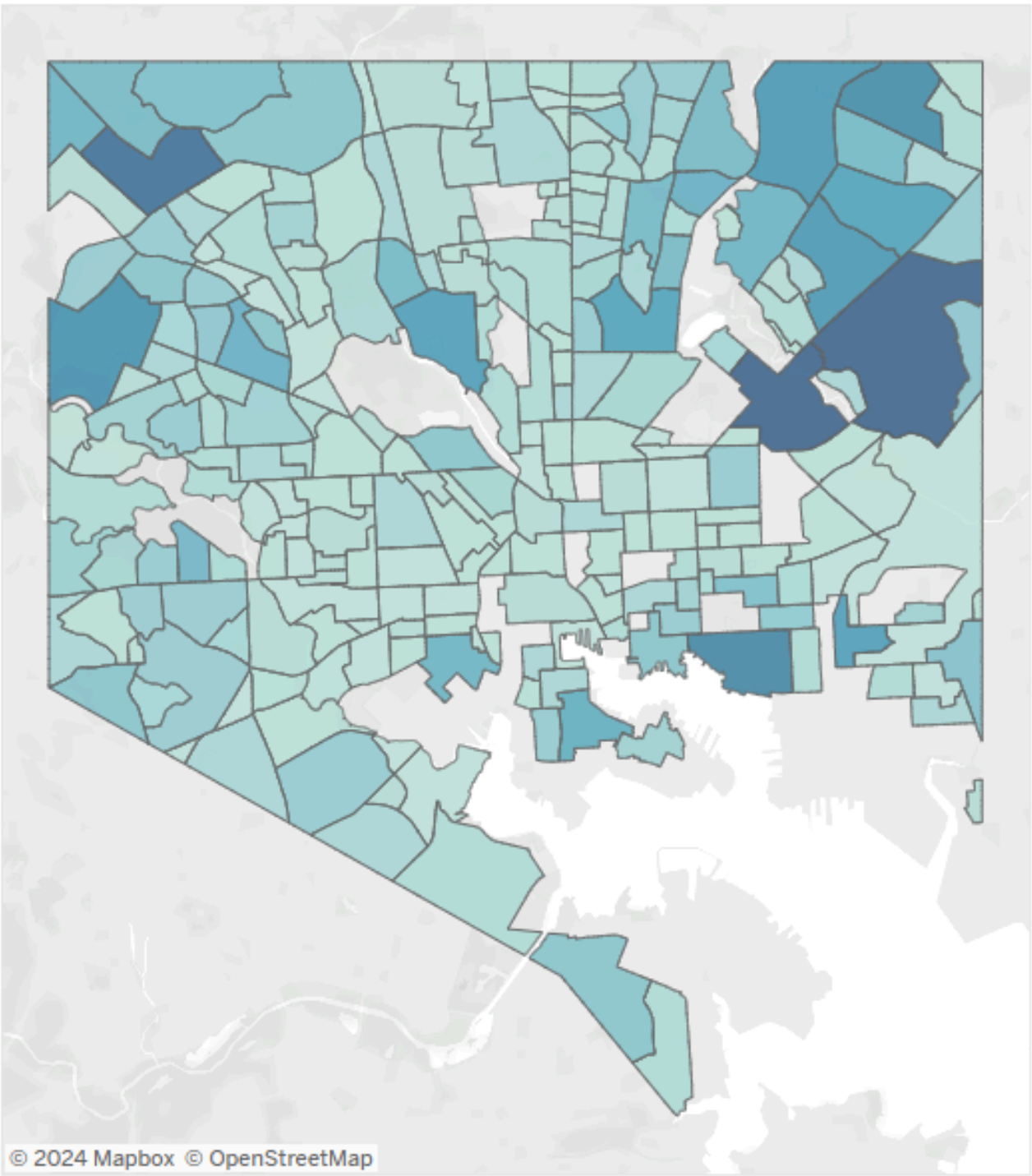
State Homeowners Tax Credit

Top Neighborhoods

Total Credit Amount
Fiscal 2025

Neighborhood	Total Credit Amount	Households
Frankford	\$402,858	201
Belair-Edison	\$401,753	256
Glen	\$371,046	152
Canton	\$309,041	128
North Harford Park	\$288,655	129
Howard Park	\$273,790	116
Hamilton Hills	\$250,005	118
Waltherson	\$248,105	114
Hampden	\$229,524	110
Greektown	\$228,891	100

Total Combined State Homeowners' Tax Credit and City Supplement
Value by Neighborhood
Fiscal 2024



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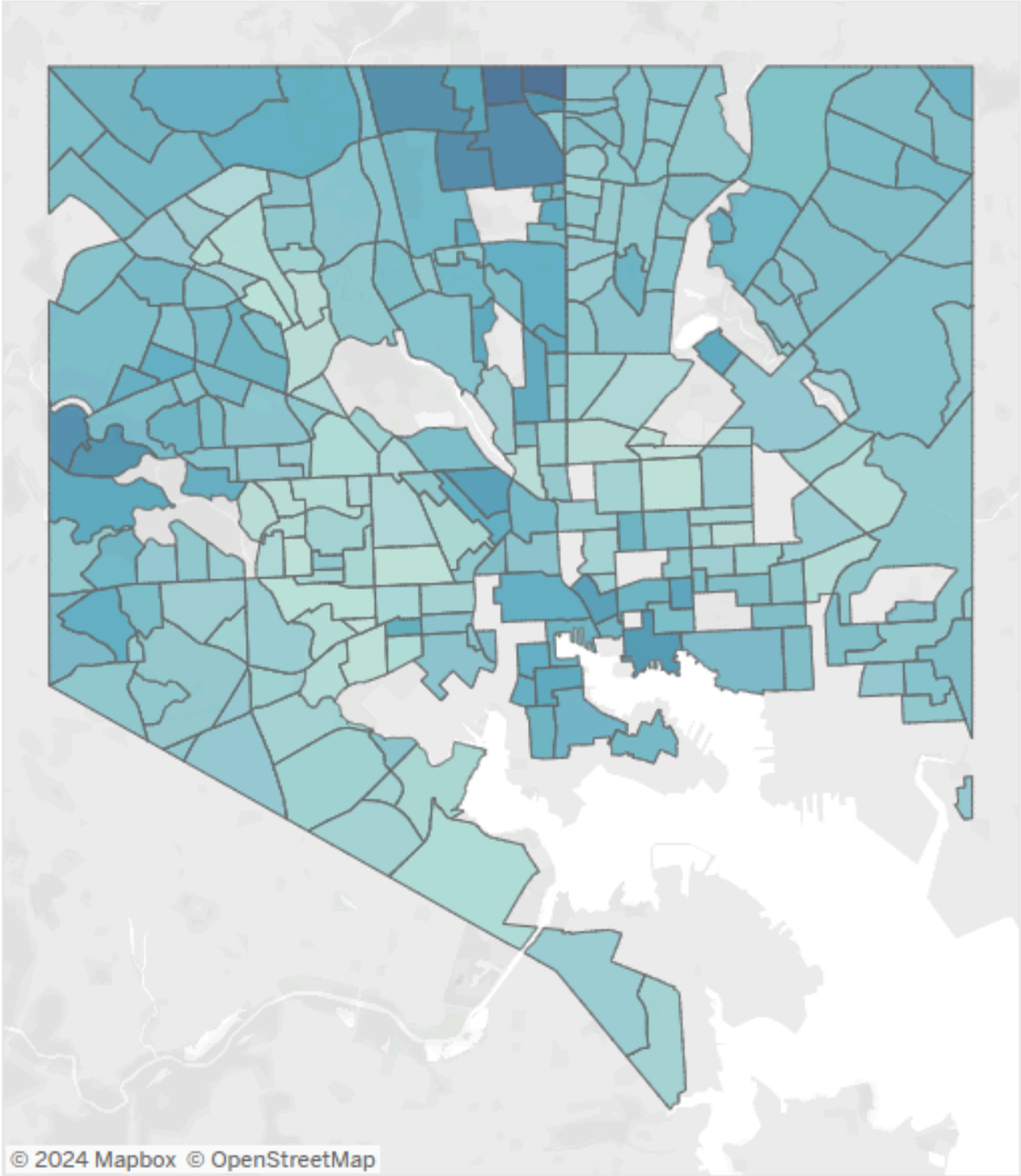
State Homeowners Tax Credit

Top Neighborhoods

Average Credit Amount
Fiscal 2025

Neighborhood	Average Credit Amount	Households
Cedarcroft	\$5,859	3
Bellona-Gittings	\$5,664	5
Wyndhurst	\$4,689	4
Homeland	\$4,602	10
North Roland Park/Poplar Hill	\$4,517	5
Fells Point	\$3,881	28
Bolton Hill	\$3,682	15
Jonestown	\$4,225	3
The Orchards	\$3,557	2
Butchers Hill	\$3,456	17

Average Combined State Homeowners' Tax Credit and City Supplement
Value by Neighborhood
Fiscal 2024



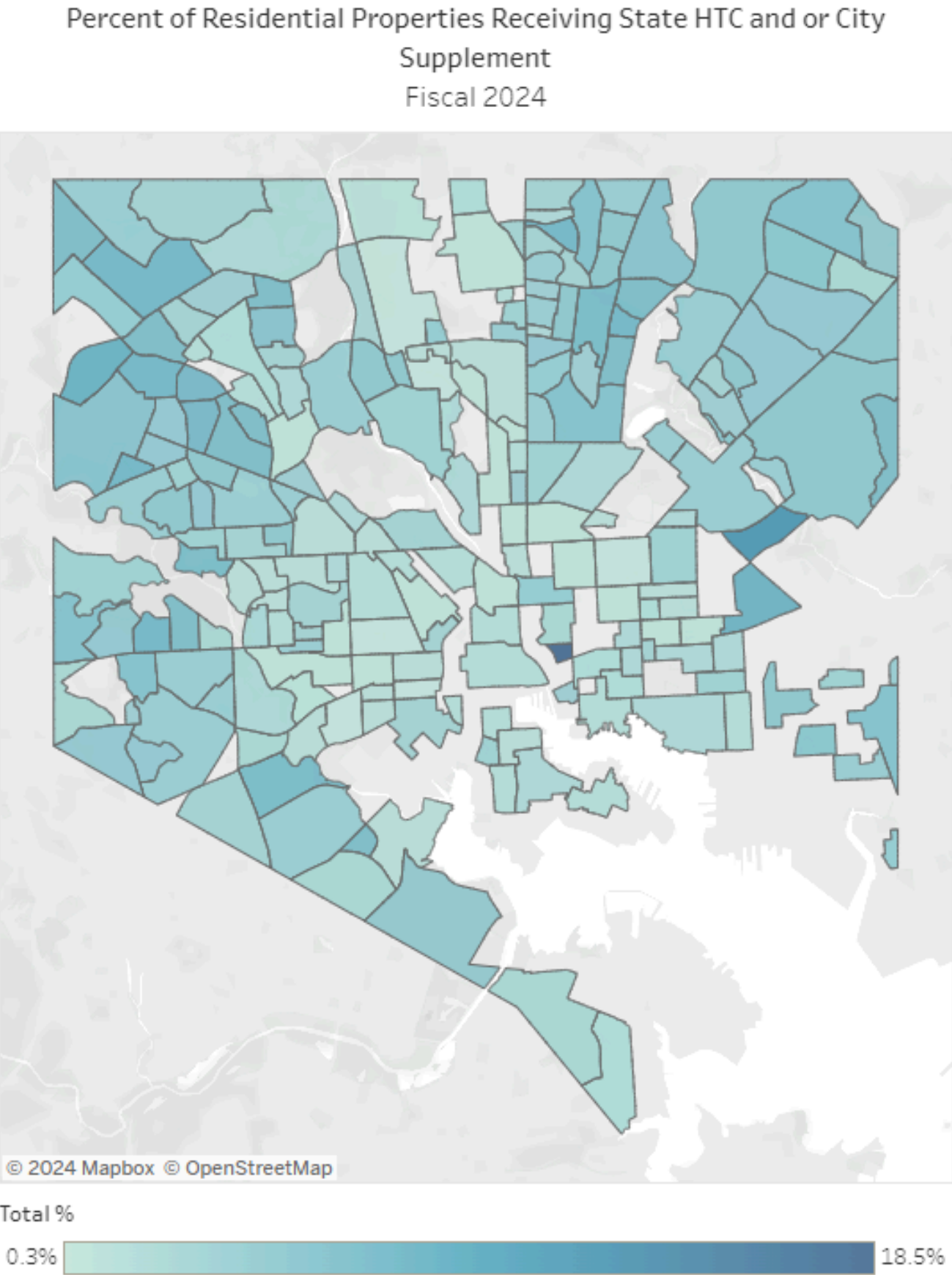
State Homeowners Tax Credit

Top Neighborhoods

% of Residential Properties Receiving
Fiscal 2025

Neighborhood	% of Residential Properties Receiving HTC or Supplement	Households
Pleasant View Gardens	18.5%	5
Orchard Ridge	12.5%	10
Grove Park	8.3%	38
Orangeville	8.2%	8
Forest Park Golf Course	7.8%	9
West Arlington	7.7%	43
Rognel Heights	7.6%	57
Stonewood-Pentwood-Winston	7.6%	22
Glen	7.6%	152
Chinquapin Park	7.5%	41

Note: This map excludes neighborhoods in which there are 5 or fewer properties receiving either the State credit or City supplement.



Tax Credit Workgroup

Benchmarking and Utilization



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State Homeowners Tax Credit - Participants and Cost

Baltimore City vs. Other Counties

Jurisdiction	# of Applications	# of Credits Issued	Share of Total #	2022 Total Credits Issued	Average Credit	Share of Total \$
Baltimore City	9,487	6,680	18.9%	11,551,862	1,729	21.8%
Baltimore County	8,973	5,707	16.1%	7,272,895	1,274	13.7%
Prince George's	6,004	3,603	10.2%	7,160,194	1,987	13.5%
Montgomery	6,052	3,507	9.9%	6,158,721	1,756	11.6%
Anne Arundel	3,765	2,255	6.4%	3,216,245	1,572	6.1%
Frederick	3,462	2,046	5.8%	2,913,901	2,080	5.5%
Harford	2,511	1,577	4.5%	2,700,955	1,198	5.1%
Howard	1,956	1,401	4.0%	1,928,240	1,223	3.6%
Carroll	1,864	1,308	3.7%	1,824,205	1,395	3.4%
Wasington	1,746	1,108	3.1%	1,397,198	1,366	2.6%
Charles	1,616	1,023	2.9%	1,178,226	1,063	2.2%
Cecil	1,074	722	2.0%	879,301	1,218	1.7%
Allegany	961	585	1.7%	667,099	1,238	1.3%
St. Mary's	901	539	1.5%	650,598	1,276	1.2%
Wicomico	904	531	1.5%	481,214	906	0.9%
Calvert	915	510	1.4%	476,939	1,198	0.9%
Worcester	660	398	1.1%	467,022	1,245	0.9%
Caroline	552	375	1.1%	463,072	792	0.9%
Dorchester	554	367	1.0%	404,882	1,269	0.8%
Queen Anne's	475	319	0.9%	391,590	1,067	0.7%
Garrett	504	312	0.9%	248,109	795	0.5%
Kent	352	220	0.6%	231,766	1,053	0.4%
Somerset	331	207	0.6%	152,024	734	0.3%
Talbot	215	107	0.3%	102,954	962	0.2%
Statewide	55,834	35,407	100.0%	52,919,215	1,495	100.0%

Baltimore City has the most participants in the State Homeowner's Tax Credit with 6,680 or 18.9% of the Statewide total.

The State Homeowners Tax Credit saved Baltimore taxpayers over \$11.5 million collectively in Fiscal 2022, or an average of \$1,729 per taxpayer.



Supplemental Homeowners Tax Credit - Local Option

Which Counties Offer a Local Option?

County	Offers?
Allegheny	No
Anne Arundel	Yes
Baltimore City	Yes
Baltimore County	Yes
Calvert	Yes
Caroline	Yes
Carroll	Yes
Cecil	No
Charles	Yes
Dorchester	No
Frederick	Yes
Garrett	Yes
Harford	Yes
Howard	Yes
Kent	Yes
Montgomery	Yes
Prince Georges	No
Queen Anne's	No
Somerset	No
St. Mary's	No
Talbot	No
Washington	Yes
Wicomico	No
Worcester	No

14 of the 24 counties in Maryland offer a Local Supplemental Homeowners Tax Credit.

Of the “big six” counties, only Prince Georges does not offer a local Supplemental Tax Credit.

This program allows local jurisdictions to add additional criteria and benefits on top of the State Tax Credit, with the cost borne by the local jurisdiction.

To qualify for the Supplemental Homeowners Tax Credit in Baltimore City, a property owner must be:

- over 62 years of age
- resided in the dwelling at least 10 years
- combined income of less than \$40,000



Is Baltimore City “underutilizing” this Tax Credit?

Where does underutilization occur in the City?

Using U.S. Census data estimates, our team was able to identify Community Statistical Areas (CSAs) across the City that may be underutilizing the State Homeowners’ Tax Credit.

By looking at **Median Household Incomes, Owner-Occupied Percentages, & Assessment Values**, we found neighborhoods where we would expect a higher number of enrollees than the actual number of enrollees reported by the State.

(Note that we do not have a good way to capture a household’s net worth, which is one of the State criteria for the tax credit.)

But, City-wide there could be as many as **29,000** additional households that could qualify. This CSA-level analysis could help drive future outreach efforts.

Community Statistical Area	Median Household Income	Households	% of Households Owner-Occupied	Households Receiving HTC Currently	Est. Additional Enrollees for HTC
Upton/Druid Heights	\$21,530	3,817	27.7%	29	506
Poppleton/The Terraces/Hollins Market	\$23,374	2,151	27.8%	10	291
Oldtown/Middle East	\$24,191	4,149	35.2%	35	704
Cherry Hill	\$24,762	3,029	43.6%	40	630
Sandtown-Winchester/Harlem Park	\$26,689	4,513	25.7%	72	525
Southwest Baltimore	\$29,768	5,566	21.0%	52	546
Southern Park Heights	\$30,312	4,594	38.9%	53	855
Greenmount East	\$32,208	2,844	24.8%	47	317
Brooklyn/Curtis Bay/Hawkins Point	\$32,599	4,573	37.0%	100	770
Penn North/Reservoir Hill	\$33,921	4,075	32.5%	57	619
Pimlico/Arlington/Hilltop	\$34,042	3,877	44.3%	108	563
Westport/Mount Winans/Lakeland	\$35,201	2,277	42.5%	39	334
Midway/Coldstream	\$35,898	2,927	30.3%	66	283
Madison/East End	\$37,303	2,158	22.1%	37	151
Greater Rosemont	\$37,490	5,564	38.3%	101	723
Clifton-Berea	\$39,619	3,084	27.5%	82	256
Claremont/Armistead	\$40,450	3,675	82.4%	11	1128
Greater Mondawmin	\$40,489	3,190	43.4%	105	440
Southeastern	\$41,981	2,228	54.2%	84	390
Allendale/Irvington/S. Hilton	\$42,715	6,036	52.3%	319	944
Greater Govans	\$43,782	3,918	52.6%	121	682
Morrell Park/Violetville	\$43,843	3,167	59.9%	115	625
The Waverlies	\$43,890	3,210	54.2%	197	505
Glen-Fallstaff	\$44,228	6,224	70.2%	284	1425
Edmondson Village	\$44,911	2,863	58.1%	80	564
Greater Charles Village/Barclay	\$45,798	6,325	43.6%	57	991

*Note: Not all CSAs included in table.
US Census Data: Median Household Income (2021), Owner Occupied Percentage (2020).*



State Homeowners Tax Credit

How does the non-profit community support Tax Credit sign-ups?



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There are a variety of non-profit organizations in Baltimore that support housing and tax-related issues:

- financial counseling and education
- tax preparation
- homebuyer assistance
- home improvement assistance
- eviction prevention
- foreclosure prevention
- legal services

Economic Action Maryland does direct sign-ups of eligible applicants, takes referrals from other housing organizations, and partners with the Cash Campaign to support sign-ups during tax preparation.

Tax Credit Workgroup

Policy Options



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State Homeowners Tax Credit: Policy Options



1

Expand Eligibility for the State Homeowners Tax Credit
(State cost, requires State legislation)

2

Expand Eligibility for the City Supplemental Tax Credit
(City cost, requires City legislation)

3

Targeted Effort to Boost Enrollment
(City cost, no legislation required)



State Homeowners Tax Credit Options

#1: Expand Eligibility for State Homeowners Tax Credit

The City could ramp up its efforts to support legislative efforts to broaden the eligibility of the existing State Homeowners Tax Credit program. The income brackets were last adjusted in 2006; when adjusting for inflation, the new household income cap would increase from \$60k to \$90k. Focusing just on the household income eligibility side would add additional City residents with no City cost.

Making the benefit “richer” for those already eligible would also benefit City residents directly but would come with a larger State price tag.

State Current	
Under \$8,000	0.0%
\$8,000-\$12,000	4.0%
\$12,000-\$16,000	6.5%
Greater than \$16,000	9.0%

State Proposal - Inflation Adjusted	
Under \$12,000	0.0%
\$12,000-\$18,000	4.0%
\$18,000-\$24,000	6.5%
Greater than \$24,000	9.0%

Option	Authority	Additional Enrollees		CITY Savings / (Cost)			STATE Savings / (Cost)		
		City	State	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Expand Household Income Cap from \$60k to \$90k	State Legislation	9,449	49,995	no cost	no cost	no cost	(12.9)	(13.3)	(13.7)
Strengthen Benefit at Each Level Within the \$60k Household Income Cap	State Legislation	none	none	no cost	no cost	no cost	(12.6)	(13.0)	(13.4)
Allow Approved Applicants to Receive the Credit for 3 Years	State Legislation	Unknown	Unknown	no cost	no cost	no cost	Unknown	Unkownn	Unknown

State Homeowners Tax Credit Options

#2: Expand Eligibility for City Supplemental Tax Credit

The original qualifications for the City’s Supplemental Tax Credit were targeted specifically to legacy senior homeowners and had age (62 years) and length of residence requirements (10 years).

Relaxing some or all of the existing requirements would add additional enrollees, but the cost would be borne by the City’s General Fund.

Option	Authority	Additional Enrollees		CITY Savings / (Cost)			STATE Savings / (Cost)		
		City	State	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Eliminate Age & Duration Requirements	City Legislation	1,911	0	(0.6)	(0.6)	(0.7)	N/A	N/A	N/A
Expand Household Income Cap \$60k to Match State Program and Eliminate Age and Duration Requirements	City Legislation	2,778	0	(0.9)	(0.9)	(1.0)	N/A	N/A	N/A

State Homeowners Tax Credit Options

#3: Targeted Effort to Boost Enrollment

The cost of boosting enrollment in the State Homeowners Tax Credit would be borne mostly by the State. There could be some applicants that also qualify for the City Supplemental Tax Credit.

Boosting enrollment would require the City to invest some staff to do targeted outreach, preferably through a non-profit. The City could use existing data sources to help identify neighborhoods that are likely to have low utilization.



Option	Authority	Additional Enrollees		CITY Savings / (Cost)			STATE Savings / (Cost)		
		City	State	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Targeted Effort to Boost City Enrollment	Mayor's Discretion	1,000	1,000	(0.3)	(0.3)	(0.3)	(1.5)	(1.5)	(1.6)

Tax Credit Workgroup

Wrap-Up - State HTC



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Discussion and Deliberation

- 1 Does the State Homeowners Tax Credit offer an effective way to deliver tax relief to low-income families?
- 2 Are the current eligibility criteria for the State Homeowners Tax Credit correct? Should the City be lobbying for changes to the criteria?
- 3 Is there an opportunity for the City to try to boost enrollment in the State Homeowners Tax Credit? What would be the most effective way to boost enrollment?
- 4 Should the City consider changes to its own City Supplemental Tax Credit?



Tax Credit Workgroup

Summary of All Homeowner Protection Tax Credits



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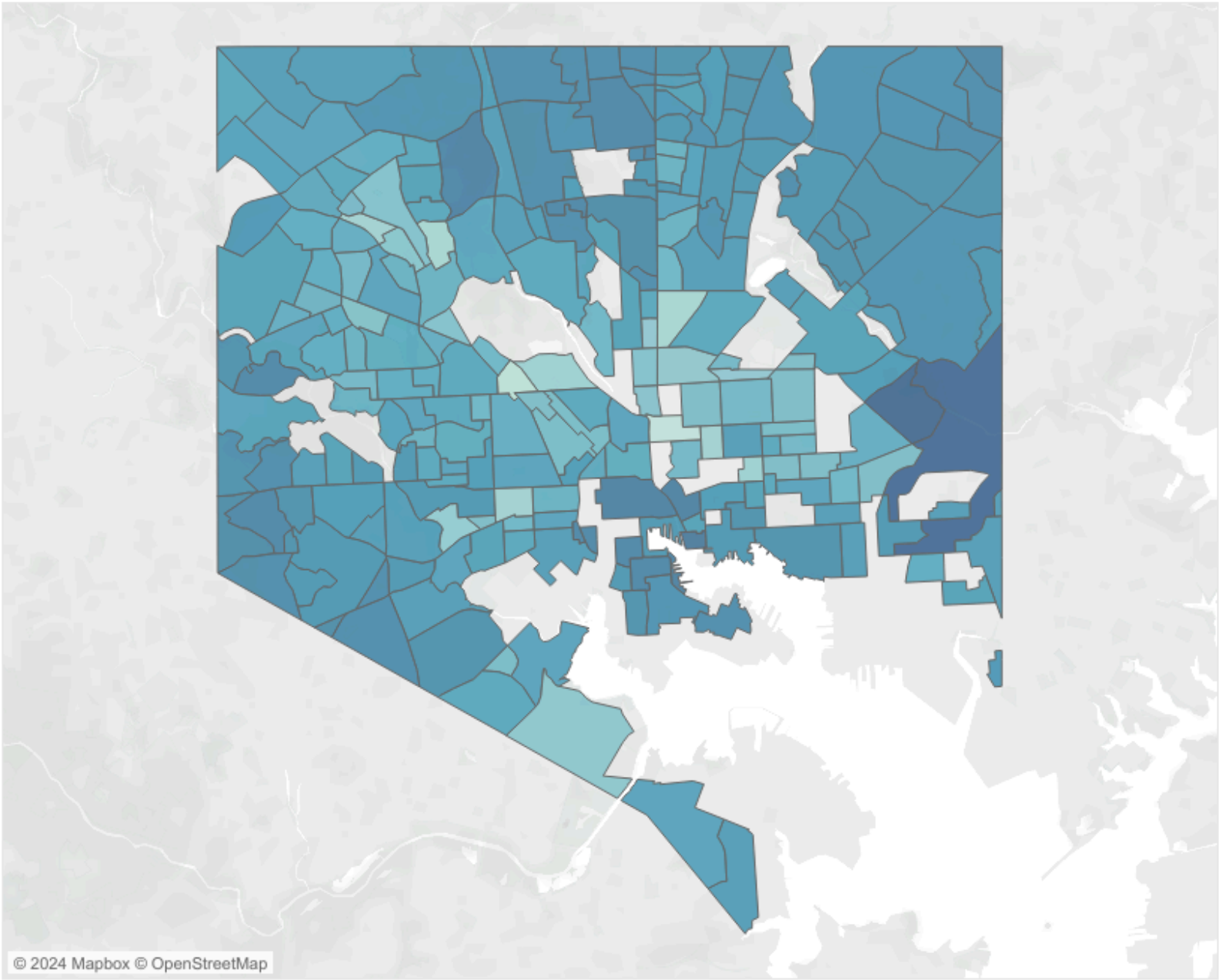
Effective Tax Rate including Homestead, THTC, SHTC

Top Neighborhoods Lowest Average Effective Rates Fiscal 2024

Neighborhood	Avg. Effective Property Tax Rate	Households
Johnston Square	1.397%	279
Penn North	1.421%	168
Greenspring	1.503%	499
Better Waverly	1.513%	372
Lucille Park	1.521%	59
Gay Street	1.523%	68
Franklin Square	1.538%	228
CARE	1.551%	198
Reservoir Hill	1.555%	712
Shipley Hill	1.592%	193

Excludes neighborhoods with less than 30 residential, owner-occupied households.

Average Effective Property Tax Rate by Neighborhood
(Residential Owner-Occupied Properties)
Fiscal 2024



Map excludes neighborhoods with less than 30 residential owner-occupied households. (Purnell, Holabird Industrial Park, Locust Point Industrial Area, Carroll-Camden Industrial Area, O'Donnell Heights, University of Maryland, Fairfield Area, Montebello, Blythewood, Loyola, Saint Paul, Old Goucher, Pleasant View Gardens, Charles North).



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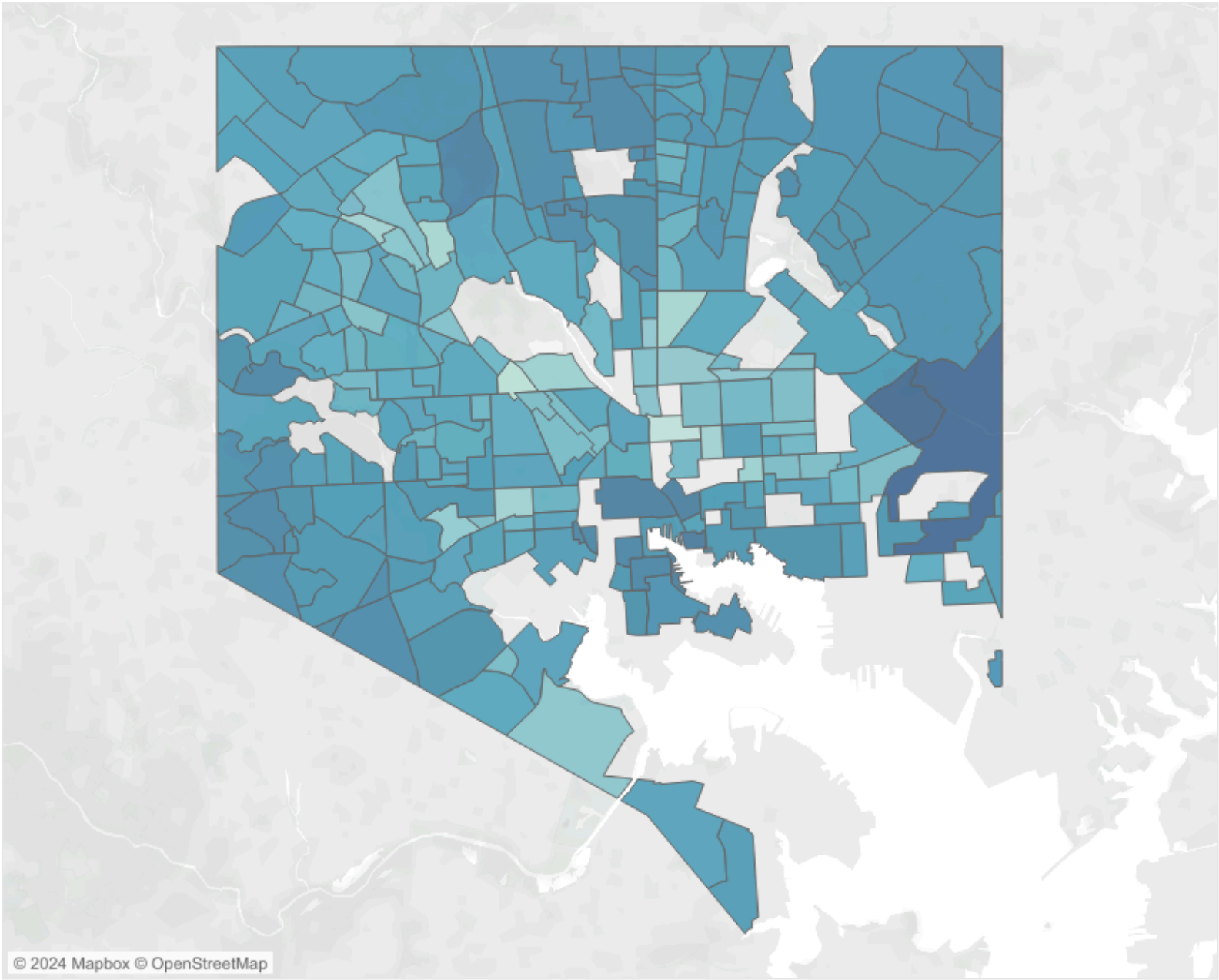
Effective Tax Rate including Homestead, THTC, SHTC

Top Neighborhoods Highest Average Effective Rates Fiscal 2024

Neighborhood	Avg. Effective Property Tax Rate	Households
Armistead Gardens	2.243%	631
Pulaski Industrial Area	2.232%	761
Harbor East	2.155%	173
Key Highway	2.098%	427
Jonestown	2.097%	82
Downtown	2.092%	209
Otterbein	2.080%	513
Coldspring	2.079%	260
Federal Hill	2.073%	676
Keswick	2.069%	271

Excludes neighborhoods with less than 30 residential, owner-occupied households.

Average Effective Property Tax Rate by Neighborhood
(Residential Owner-Occupied Properties)
Fiscal 2024



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Tax Credit Workgroup

Homework Assignment



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