M E M O R A N D U M

February 20, 2024

TO: Government Operations and Fiscal Policy Committee

FROM: Christine Wellons, Senior Legislative Attorney

SUBJECT: Bill 45-23, Property Tax Credit – Individuals 65 and Above, Retired Military Service Members

PURPOSE: Committee worksession – recommendation expected

Expected Attendees:

Mike Coveyou, Director, Department of Finance (invited)
Abdul Rauf, Fiscal and Policy Analyst, Office of Management and Budget

Bill 45-23, Property Tax Credit – Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members, sponsored by Lead Sponsor Council President Friedson and Co-sponsors Councilmembers Albornoz, Fani-González, Luedtke, Balcombe, Sayles, and Katz, was introduced on December 12, 2023. A public hearing took place on January 23, 2024.

Bill 45-23 would:

(1) alter the eligibility criteria for the property tax credit available to individuals 65 and above, and to retired or disabled military service members and their spouses;

(2) alter the amounts of the property tax credit; and

(3) generally amend the property tax credit for individuals 65 and above and for retired or disabled military service members and their spouses.

Background

Under current County law, certain individuals over age 65 and military service members (including surviving spouses) may receive a property tax credit equaling 20 percent of the County tax bill. *See* Property Tax Credit for Elderly Individuals and for Military Retirees (montgomerycountymd.gov)

Extensive analysis of the credit, as well as a comparison of the credit to those in other jurisdictions, is available in the following Office of Legislative Oversight report: [OLO Report 2023-9: Senior Property Tax Credits (montgomerycountymd.gov)].

BILL SPECIFICS

The bill would expand eligibility for the County's property tax credit for individuals 65 and above, and for military service members and their spouses, in several ways. First, the bill would expand eligibility to certain disabled service members and their surviving spouses. (Lines 51-60).

Second, the bill would allow individuals to qualify for the credit if the assessed value of their home does not exceed $899,999 (which would be increased annually based upon inflation). (Lines 18-23). Currently, the maximum assessed value associated with the credit is $700,000 for individuals 65 and older and $599,000 for retired military members and their surviving spouses.

The bill also would increase the number of years an individual may qualify for the credit from 7 to 10 years. (Lines 72-73). Under the bill, the amount of time an individual 65 or older would be required to reside in a home in order to qualify for the credit would be reduced from 40 to 25 years. (Lines 31-32).

In addition, the bill would alter the amount of the credit based upon income. Currently, the amount of the credit is 20 percent of the County property tax imposed on the home. Under the bill, the credit amounts would be:

- if the annual income of the applicant is equal to or less than $90,000, 20 percent of the County property tax imposed on the dwelling;

- if the annual income of the applicant is equal to or less than $75,000, 35 percent of the County property tax imposed on the dwelling; and

- if the annual income of the applicant is equal to or less than $50,000, 50 percent of the County property tax imposed on the dwelling.

The bill is enabled by, and consistent with, Maryland law (Section 9-258 of the Tax-Property Article of the Maryland Code). Current recipients of the tax credit would be "grandfathered" into the amended law; their credits would not be diminished by the bill.

SUMMARY OF IMPACT STATEMENTS

Racial Equity and Social Justice Impacts. "The Office of Legislative Oversight (OLO) anticipates Bill 45-23 will have a negative impact on racial equity and social justice (RESJ) in the County. Changes proposed through the Bill could help extend eligibility for the Property Tax Credit for Elderly Individuals and Military Retirees to Black, Indigenous, and Other People of Color (BIPOC) homeowners. However, estimates suggest the program will likely continue to primarily benefit a subset of County constituents who are disproportionately White. OLO offers one policy option for Council consideration….

“**Consider policy recommendations in County’s study of older adult housing needs**. In the 2018 Report, ‘Meeting the Housing Needs of Older Adults in Montgomery County,’ [Meeting-the-Housing-Needs-of-Older-Adults-in-Montgomery-County-Final5-24-18.pdf (montgomeryplanning.org)] researchers found there is a growing need of housing for older adults, including affordable housing for extremely low income and vulnerable seniors. The Council could consider policy recommendations outlined in the report, with a focus on strategies that could enhance RESJ for senior community members. The report offers recommended strategies for:

o Producing and preserving housing for older adults with a focus on rental housing;

o Financial assistance to expand access to affordable housing for seniors;

o Expanding the supply of housing and availability of neighborhoods that help older adults age in place; and

o Other services and programs that provide essential support in meeting the housing needs of all older adults in the County.” (Footnotes omitted).

Fiscal impacts. According to the Office of Management and Budget: “The proposed changes to the Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members property tax credit are anticipated to reduce property tax revenues by $100 million over six years in the revenues column, which shows the high-end loss scenario. In addition to the reduction in property tax revenues, the changes necessitate two additional staff members for the Department of Finance's Division of Treasury, one at grade 23 and one at grade 16, which is anticipated to increase expenditures by $248,367 in the personnel costs column. There are also IT-related costs of $30,000 annually in the operating expense column.”

Economic impacts. “The Office of Legislative Oversight (OLO) anticipates that Bill 45-23 would have a positive impact on economic conditions in the County in terms of the Council’s priority economic indicators. By modifying several conditions of the Property Tax for Elderly and Military Retirees program, the Bill likely would increase, both, the total number of eligible residents and amount of credits than otherwise would be the case under current law. As a result, the Bill would reduce property tax liabilities for residents who otherwise would not receive the credit without the change in law. Holding all else equal, reduced property tax liabilities would reduce nondiscretionary household expenses, thereby increasing net household income for these recipients. However, based on findings from a recently published study on Maryland’s senior property tax relief program, OLO does not expect the Bill to significantly reduce senior homeowner mobility, nor increase property values in the County. Furthermore, because residents likely would use a portion of the property tax savings to spend on goods and services produced by County-based businesses, certain businesses’ revenue and income would likely increase.”

Climate assessment. “The Office of Legislative Oversight (OLO) anticipates Bill 45-23 will have no impact on the County’s contribution to addressing climate change as the bill proposes changes to an existing property tax credit that a small number of County residents qualify for.”

SUMMARY OF PUBLIC HEARING

The Council has received testimony from individuals and organizations, both in favor of and against the bill. A representative sample of the testimony follows.

- **City of Takoma Park**: "The proposed shifts to this program are aligned with Takoma Park's housing and equity goals, by allowing more older homeowners who are lower income and black and brown to receive the benefit of these credits. Takoma Park has many older, lower-income homeowners, of all races and ethnicities, who would benefit from changing eligibility from 40 to 25 years and incorporating an income test…. We support the changes suggested by the County's Council on Aging, to define income categories by percentage of AMI rather than fixed dollar amounts, and adding a fourth lower income tier."

- **Maryland Military Coalition**: "The Maryland Military Coalition asks that 45-23 be amended to comport with Maryland Code, Tax-Prop §9-265 – Tax credit for disabled veterans, by replacing the language within (c) (4) A and B (lines 51-56) with the language, including the percentages from the code. We also note that the County's proposed income thresholds unfairly penalize seriously disabled retired service members who in many cases have enormous health, quality of life and mobility issues."

- **Montgomery County Chamber of Commerce**: "MCCC supports incentives that seek to keep retirees here in Montgomery County, and in particular retired military veterans and disabled military service members…. Maryland's incentives for military retirees are often not competitive with other jurisdictions. It is imperative that Montgomery County does more for military and disabled veterans by offering competitive incentives to remain here after retirement."

- **Al Carr**: "I appreciate the intent - to provide relief on the cost of housing for seniors. But in light of the Racial Equity and Social Justice analysis for the bill, I am suggesting a different approach. Montgomery County should instead increase the local supplement to the state homeowners property tax credit and renters tax credit."

- **Andrei Gakh**: "A suggestion can be made to democratize the property tax credit for seniors by reducing the home ownership qualification to 10-15 years. Given financial constraints, the tax credit can be applied as a two-tier system (10% credit for 15 years and 20% for 30 years of ownership) or just simply 10% for all above the 15- year ownership threshold. But the simplest solution would be to exempt senior citizens in Montgomery County from property tax hikes. In my view, this would be the best, fair, equitable, and democratic approach."

- **Steve Smith**: "I am against this bill if it is not need-based."

ISSUES FOR THE COMMITTEE'S CONSIDERATION

1. **<u>Clarification - Two State Enabling Laws</u>**

The Maryland Military Coalition has asked for amendments to align Bill 45-23 with Section 9-265 of the Tax-Property Article of the Maryland Code. Section 9-265 enables counties to enact tax credits for disabled, honorably discharged veterans who are certified as being at least 50% disabled.

Bill 45-23, however, is not enabled by Section 9-265. Instead, Bill 45-23 is enabled by 9-258 of the Tax-Property Article, which applies more broadly to seniors, retired military, and disabled military members (with any level of disability and including active duty members).

The specific qualifications for the credit, and the amount(s) of the credit, are different under the different enabling laws. The credit under 9-258 is for any armed services member with any type of service-related disability (including active-duty military with service-related disabilities). This is the credit covered under Bill 45-23, and the credit is set at 20 percent under the bill.

The credit under 9-265 is only for honorably discharged military who are certified by the VA as at least 50% permanently disabled. And the amount of the credit is higher – between 25 to 50%, depending upon the level of disability.

The Council might wish to pursue separate legislation under Section 9-265 to assist severely disabled, honorably discharged veterans, but Bill 45-23 is based upon the parameters under Section 9-258.

2. Councilmember Katz Amendments

Councilmember Katz has indicated that he will propose amendments (© 53-55) to Bill 45-23 to: (1) remove the home value thresholds, but allow the credit to apply only to the first $700,000 of the home's assessed value; (2) eliminate income eligibility requirements; and (3) generally increase the amount of the credit to 25 percent of the home's assessed value. (Katz Amendment #1).

Councilmember Katz also supports establishing 30 years as the number of years the applicant is required to live in the same dwelling to receive the credit. (Katz Amendment #2).

3. Definition of Annual Income

The Office of the County Attorney (OCA) and the Department of Finance have recommended clarifying the definition of "annual income" under the bill. Council staff recommends the following or a similar amendment.

Amend lines 6-7 to read as follows.

> *Annual income* means the federal adjusted gross [[annual]] income of [[a tax filer, as reported to the State of Maryland on a Maryland income tax return]] the individual tax credit applicant for the immediately preceding federal tax year.

This definition would be consistent with how annual income would be determined under the property tax credit for disabled veterans under Tax-Property Section 9-265. If the Council were to adopt a credit under Section 9-265 in the future, the consistency in income requirements would be helpful. In addition, this definition would clarify that the relevant adjusted gross income (AGI) is that of the individual who would receive the credit, not the household (in the case of joint filers).

4. Application Deadline

The Department of Finance has suggested that the application deadline under the bill should be January 15, as opposed to April 1, in order to provide sufficient time to determine the income of the applicant and to process the application.

Amend lines 75-78 as follows.

(1) A property owner must submit an application to the Director on or before [[April 1]] January 15 before the property tax year that the individual **[**first**]** seeks to receive the credit. An annual application is **[**not**]** required for an individual to receive the credit.

5. Consumer Price Index

The Department of Finance has recommended amending the definition of "CPI" as follows:

CPI means the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Arlington-Alexandria Core Based Statistical Area (CBSA), or a successor interest, as published by the United States Department of Labor, Bureau of Labor Statistics[[, issued immediately prior to the adoption by the Council of tax levies for the ensuing fiscal]] for the previous calendar year.

6. Clarification Regarding the Relevant Tax Year

The Department of Finance has suggested clarifying the definition of "qualifying amount".

The following amendment would clarify that the qualifying amount would be linked to the property tax year (July 1 through June 30), as opposed to the income tax year (January 1 through December 31).

Qualifying amount means:

(1) for the [[2023]] property tax year that begins July 1, 2025, $899,900;

(2) for each subsequent property tax year, the qualifying amount of the prior property tax year, increased by the lesser of:

(A) 5 percent; or

(B) the CPI.

This packet contains:	Circle #
Bill 45-23	1
Racial Equity and Social Justice Impact Statement	6
Climate Assessment	11
Fiscal Impact Statement	14
Economic Impact Statement	16
Public Testimony	
Montgomery County Chamber of Commerce	24
Montgomery County Commission on Aging	25
Maryland Military Coalition	27
City of Takoma Park	35
Steve Smith	36
Teresa Buescher	37
Joseph Campbell	38
Richard Stoner	39
Karen Sofer	41
Joe Isaacs	42
Frederick H. Graefe and Michael McGovern	45
Andrei Gakh	46
Al Carr	48
State Enabling Laws	
Md. Code, Tax-Prop. § 9-258	50
Md. Code, Tax-Prop. § 9-265	51
Councilmember Katz Amendments	53

Bill No. 45-23
Concerning: Property Tax Credit – Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members
Revised: 12/12/2023 Draft No. 3
Introduced: December 12, 2023
Expires: December 7, 2026
Enacted: __________
Executive: __________
Effective: __________
Sunset Date: None
Ch. _____, Laws of Mont. Co. _________

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Council President Friedson
Co-Sponsors: Councilmembers Albornoz, Fani-Gonzalez, Luedtke, Balcombe, Sayles, and Katz

AN ACT to:
(1) alter the eligibility criteria for the property tax credit available to individuals 65 and above, and to retired or disabled military service members and their spouses;
(2) alter the amounts of the property tax credit; and
(3) generally amend the property tax credit for individuals 65 and above and for retired or disabled military service members and their spouses.

By amending
Montgomery County Code
Chapter 52, Taxation
Section 52-110

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Section 52-110 is amended as follows:

52-110. Property tax credit — individuals 65 and above; [and] retired military [services] service members; and disabled military service members.

(a) *Definitions*. In this Section, the following words have the meanings indicated:

Annual income means the gross annual income of a tax filer, as reported to the State of Maryland on a Maryland income tax return.

CPI means the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Arlington-Alexandria Core Based Statistical Area (CBSA), as published by the United States Department of Labor, Bureau of Labor Statistics, issued immediately prior to the adoption by the Council of tax levies for the ensuing fiscal year.

Department means the Department of Finance.

Director means the Director of the Department or the Director's designee.

Dwelling has the same meaning as in § 9-105 of the Tax-Property Article of the Maryland Code.

Qualifying amount means:

(1) for the 2023 tax year, $899,900;

(2) for each subsequent tax year, the qualifying amount of the prior tax year, increased by the lesser of:

(A) 5 percent; or

(B) the CPI.

Service-connected disability means a disability confirmed by a rating decision of the U.S. Department of Veterans Affairs.

(b) *Credit.* As authorized by § 9-258 of the Tax-Property Article of the Maryland Code, an eligible individual may receive a credit against the County property tax imposed on the dwelling of an eligible individual.

(c) *Eligibility.* An individual is eligible to receive a property tax credit if:

(1) (A) the individual is at least 65 years old;

(B) the individual has lived in the same dwelling for at least the preceding [40 years] 25 years; and

(C) the dwelling for which a property tax credit is sought has a maximum assessed value of [$700,000] the qualifying amount at the time the individual first applied for the credit;

(2) (A) the individual is at least 65 years old;

(B) the individual is a retired member of the uniformed services of the United States as defined in 10 U.S.C. §101, the military reserves, or the national guard; and

(C) the dwelling for which a property tax credit is sought has a maximum assessed value of [$550,000] the qualifying amount at the time the individual first applied for the credit; [or]

(3) (A) the individual is a surviving spouse of a retired member of the uniformed services of the United States as defined in 10 U.S.C. §101, the military reserves, or the national guard;

(B) the surviving spouse is at least 65 years old; and

(C) the surviving spouse has not remarried;

(4) the individual:

(A) is an active duty, retired, or honorably discharged member of the uniformed services of the United States as defined in 10 U.S.C. § 101, the military reserves, or the national guard; and

(B) has a service-connected disability; or

(5) the individual:

(A) is a surviving spouse of an individual described under paragraph (4); and

(B) has not remarried.

(d) *Amount and duration of credit.*

(1) The credit allowed under this Section is:

(A) if the annual income of the applicant is equal to or less than $90,000, **[**20%**]** 20 percent of the County property tax imposed on the dwelling;

(B) if the annual income of the applicant is equal to or less than $75,000, 35 percent of the County property tax imposed on the dwelling; and

(C) if the annual income of the applicant is equal to or less than $50,000, 50 percent of the County property tax imposed on the dwelling.

(2) The credit must be granted each year for **[[**7 years**]]** 10 years if the individual remains eligible for the credit.

(e) *Application.*

(1) A property owner must submit an application to the Director on or before April 1 before the tax year that the individual **[**first**]** seeks to receive the credit. An annual application is **[**not**]** required for an individual to receive the credit.

(2) An application must:

(A) be on the form that the Director requires; and

(B) demonstrate that the taxpayer is entitled to the credit.

(f) *Regulations*. The County Executive may issue regulations under Method 2 to administer this tax credit.

Sec. 2. This Act must not affect any tax credit applied for prior to the effective date of this Act.

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

BILL 45-23: PROPERTY TAX CREDIT – INDIVIDUALS 65 AND ABOVE, RETIRED MILITARY SERVICE MEMBERS, AND DISABLED MILITARY SERVICE MEMBERS

SUMMARY

The Office of Legislative Oversight (OLO) anticipates Bill 45-23 will have a negative impact on racial equity and social justice (RESJ) in the County. Changes proposed through the Bill could help extend eligibility for the Property Tax Credit for Elderly Individuals and Military Retirees to Black, Indigenous, and Other People of Color (BIPOC) homeowners. However, estimates suggest the program will likely continue to primarily benefit a subset of County constituents who are disproportionately White. OLO offers one policy option for Council consideration.

PURPOSE OF RESJ IMPACT STATEMENTS

The purpose of RESJ impact statements (RESJIS) is to evaluate the anticipated impact of legislation on racial equity and social justice in the County. Racial equity and social justice refer to a **process** that focuses on centering the needs, leadership, and power of communities of color and low-income communities with a **goal** of eliminating racial and social inequities.[1] Achieving racial equity and social justice usually requires seeing, thinking, and working differently to address the racial and social harms that have caused racial and social inequities.[2]

PURPOSE OF BILL 45-23

Since July 2017, the County has provided certain senior community members and military retirees a 20-percent property tax credit through the Property Tax Credit for Elderly Individuals and Military Retirees Program.[3] Through the program, the County reduces total annual housing costs for certain senior residents and may help some of them "age in place."[4] The property tax credit program also reduces tax revenue available to support other policy goals.[5]

Since establishing the Property Tax Credit for Elderly Individuals and Military Retirees Program, the Maryland General Assembly and Council have made significant legislative changes. According to the 2023 OLO Report, "Senior Property Tax Credits:"[6]

- Changes to state law generally have expanded the program to more homeowners and given local governments in the state more authority to determine their program's conditions.
- Changes to Montgomery County law expanded the program to more homeowners, but not to the full extent authorized under state law. The changes also made the process of applying for the credit less onerous on program participants.

Table A in the Appendix outlines the current status of the program in County and state law.

The goal of Bill 45-23 is to help "older residents and retired military service members and their spouses age in place in Montgomery County."[7] If enacted, Bill 45-23 would make the following changes to the Property Tax Credit for Elderly Individuals and Military Retirees Program:[8]

- Expand the eligibility criteria for the property tax credit to certain disabled veterans and their surviving spouses.
- Expand the eligibility criteria for the credit based on the assessed value of an individual's home. The limit would increase from $700,000 for people 65 and older and $599,000 for retired military members and their surviving spouse to $899,999, which would increase annually based on inflation.
- Increase the number of years an individual may qualify for the credit from 7 to 10 years.
- Reduce the time an individual must reside in a home to qualify from 40 to 25 years.
- Alter the amount of the property tax credit based on an applicant's income. The credit would be up to 50% of the County property tax for individuals with an annual income of $50,000 or less.

The Council introduced Bill 45-23, Property Tax Credit – Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members, on December 12, 2023.

In June 2022, OLO published a RESJIS for Expedited Bill 9-22, Property Tax Credit – Elderly Individuals and Retired Military Services Members – Amendments.[9] Please refer to this RESJIS for background on homeownership, senior and veteran constituents, and racial equity.

ANTICIPATED RESJ IMPACTS

As discussed in the RESJIS for Bills 9-22 and 1-23, White homeowners are likely the primary beneficiaries of the Property Tax Credit for Elderly Individuals and Military Retirees Program.[10] To consider the anticipated impact of Bill 45-23 on RESJ in the County, OLO considered two provisions in the Bill that could particularly impact BIPOC homeowners ages 65 and older.

- **Reducing residency requirement for property tax credit from 40 years to 25 years.** Because of racial inequities in employment, wealth, and mortgage lending,[11] it is less likely for BIPOC homeowners to have lived in the same home for 40 or more years. Thus, reducing the residency requirement to 25 years will likely help extend the property tax credit to BIPOC homeowners.

  While reducing the residency requirement will likely increase the racial and ethnic diversity of property tax credit recipients, overall program participation is likely to remain disproportionately White. OLO approximated property tax credit recipients by race and ethnicity based on Census estimates of homeowners 65 and older who have lived in their homes for at least 20 years. The estimates summarized in Table 1 suggest, relative to the County's overall population and the population of people age 65 and older, White people would be overrepresented among property tax credit recipients. Conversely, Black, Latinx, and Asian people would be underrepresented among property tax credit recipients.

Table 1. Property Tax Credit Recipients, County Population, and County Population 65 and Older by Race and Ethnicity[12]

Race and ethnicity	Percent of Property Tax Credit Recipients	Percent of County Population	Percent of County Population 65 and Older
Asian	9.9	15.2	15.3
Black	8.4	18.4	13.2
White	73.3	48.8	63.4
Latinx	6.2	19.7	9.0

Source: OLO Analysis of Census Microdata and Table S0103, 2021 American Community Survey 5-Year Estimates, Census Bureau.

- **Increasing the property tax credit amount for lower-income recipients.** Because of racial inequities in economic security, [13,14] Black, Latinx, and Native American community members are more likely to have lower incomes.[15] Thus, BIPOC who qualify for the property tax credit could particularly benefit from a higher credit amount based on income. However, because overall program participation is likely to be disproportionately White, the aggregate monetary benefit of the property tax credit to White recipients will likely exceed the aggregate monetary benefit to BIPOC recipients. Further, high wealth recipients with lower incomes would also benefit from this provision. As White people are more likely to have higher wealth,[16] this effect would also work to outweigh the aggregate monetary benefit to BIPOC.

OLO anticipates Bill 45-23 will have a negative impact RESJ in the County. Changes proposed through the Bill could help extend eligibility for the Property Tax Credit for Elderly Individuals and Military Retirees to BIPOC homeowners. However, estimates suggest the program will likely continue to primarily benefit a subset of County constituents who are disproportionately White.

Recommended Amendments

The Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to bills aimed at narrowing racial and social inequities are warranted in developing RESJ impact statements.[17] OLO anticipates Bill 45-23 will have a negative impact on RESJ in the County. Should the Council seek to improve the RESJ impact of this Bill, the following policy solution can be considered.

- **Consider policy recommendations in County's study of older adult housing needs.** In the 2018 Report, "Meeting the Housing Needs of Older Adults in Montgomery County," researchers found there is a growing need of housing for older adults, including affordable housing for extremely low income and vulnerable seniors.[18] The Council could consider policy recommendations outlined in the report, with a focus on strategies that could enhance RESJ for senior community members. The report offers recommended strategies for:
    - Producing and preserving housing for older adults with a focus on rental housing;
    - Financial assistance to expand access to affordable housing for seniors;
    - Expanding the supply of housing and availability of neighborhoods that help older adults age in place; and
    - Other services and programs that provide essential support in meeting the housing needs of all older adults in the County.

CAVEATS

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement is intended to inform the legislative process rather than determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

CONTRIBUTIONS

OLO staffer Janmarie Peña, Performance Management and Data Analyst, drafted this RESJ impact statement.

APPENDIX

Table A. Status of the Property Tax Credit for Elderly Individuals and Military Retirees Program in County and State Law

Program Condition	Current County Law	Current State Law
Eligibility Group/ Minimum Age	(a) Elderly (age 65+) (b) Military Retirees (age 65+) (c) Surviving Spouses of Military Retirees (age 65+)	(a) Elderly (age 65+) (b) Military Retirees (age 65+) (c) Surviving Spouses of Military Retirees (age 65+) (d) Disabled Military (e) Surviving Spouses of Disabled Military
Minimum Residency	40 years for Elderly	up to County
Limit on Assessed Value	• $700,000 for Elderly • $550,000 for Military Retirees	up to County
Amount of Tax Relief	20%	up to County
Duration of Tax Relief	7 years	up to County
Application Frequency	Once	up to County
Additional Eligibility Criteria		
• Income Limit	none	up to County
• Net Worth Limit	none	up to County

Source: Blaise DeFazio and Stephen Roblin, "Senior Property Tax Credits."

[1] Definition of racial equity and social justice adopted from "Applying a Racial Equity Lens into Federal Nutrition Programs" by Marlysa Gamblin, et.al. Bread for the World, and from Racial Equity Tools. https://www.racialequitytools.org/glossary
[2] Ibid.
[3] Blaise DeFazio and Stephen Roblin, "Senior Property Tax Credits," Office of Legislative Oversight, July 25, 2023.
[4] The Centers for Disease Control and Prevention (CDC) defines "aging in place" as "[t]he ability to live in one's own home and community safely, independently, and comfortably, regardless of age, income, or ability level." From Health Places Terminology, CDC, Last Reviewed October 15, 2009.
[5] DeFazio and Roblin
[6] Ibid.
[7] "Council President Friedson Introduces Legislation to Expand County Property Tax Credit for Older Adults," Montgomery County Council, December 12, 2023.
[8] Introduction Staff Report for Bill 45-23, Montgomery County Council, Introduced December 12, 2023.
[9] RESJIS for Expedited Bill 9-22, Office of Legislative Oversight, August 22, 2022.
[10] RESJIS for Bill 1-23, Office of Legislative Oversight, January 27, 2023.
[11] Siyan Liu and Laura D. Quinby, "What Drives the Racial Housing Wealth Gap for Older Homeowners?" Center for Retirement Research, Boston College, March 28, 2023.
[12] Latinx people are included in multiple racial groups throughout this impact statement, unless where otherwise noted. Estimates for Native American and Pacific Islander community members are not available for all data points presented in impact statement.
[13] Kilolo Kijakazi, et. al., "The Color of Wealth in the Nation's Capital," Urban Institute, November 1, 2016.
[14] "Turning the Floodlights on the Root Causes of Today's Racialized Economic Disparities," Federal Reserve Bank of Boston, 2020.
[15] Table S1903: Median Income in the Past 12 Months, 2022 American Community Survey 5-Year Estimates, Census Bureau.
[16] Kijakazi, et. al.
[17] Bill 27-19, Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established, Montgomery County Council
[18] "Meeting the Housing Needs of Older Adults in Montgomery County," Montgomery County Planning Department, May 2018.

Climate Assessment

Office of Legislative Oversight

Bill 45-23: Property Tax Credit – Individuals 65 and Above, Retired Military Service Members and Disabled Military Service Members

Summary

The Office of Legislative Oversight (OLO) anticipates Bill 45-23 will have no impact on the County's contribution to addressing climate change as the bill proposes changes to an existing property tax credit that a small number of County residents qualify for.

Background and Purpose of Bill 45-23

A property tax credit reduces a property owner's tax obligation. Property tax credits benefit eligible homeowners and can be used by policymakers to encourage beneficial behaviors. Property tax credits also reduce tax revenue available to support other competing public goods.[1]

In March 2017, the Council passed Bill 42-16, Taxation – Property Tax Credit – Elderly Individuals and Veterans, which created a property tax credit for certain individuals over the age of 65 and retired military services members. The bill established a 20 percent property tax credit for five consecutive years, for residents who are over the age of 65 and/or are veterans and have lived in their homes for at least 40 years.[2]

Bill 45-23 would expand eligibility and alter the amount of tax credit based upon income. Specifically, the bill would:

- Expand the eligibility criteria for the property tax credit available to certain disabled veterans and their surviving spouses;
- Expand the eligibility criteria for the credit based on the assessed value of an individual's home (from $700,000 for individuals 65 and older and $599,000 for retired military members and their surviving spouse to $899,999, which would be increased annually based on inflation)
- Increase the number of years an individual may qualify for the credit from 7 to 10 years and reduce the amount of time an individual must reside in a home to qualify for the credit from 40 to 25 years; and
- Alter the amounts of the property tax credit based upon the applicant's income, up to 50% of the County property tax for individuals with an annual income of $50,000 or less.[3]

Bill 45-23, Property Tax Credit – Individuals 65 and Above, Retired Military Service Members, was introduced by the Council on December 5th, 2023.

ANTICIPATED IMPACTS

As the bill proposes changes to an existing tax credit program that a small number of County residents qualify for, OLO anticipates Bill 45-23 will have no impact on the County's contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions, community resilience, and adaptative capacity.

RECOMMENDED AMENDMENTS

The Climate Assessment Act requires OLO to offer recommendations, such as amendments or other measures to mitigate any anticipated negative climate impacts.[4] OLO does not offer recommendations or amendments as Bill 45-23 is likely to have no impact on the County's contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions, community resilience, and adaptative capacity.

CAVEATS

OLO notes two caveats to this climate assessment. First, predicting the impacts of legislation upon climate change is a challenging analytical endeavor due to data limitations, uncertainty, and the broad, global nature of climate change. Second, the analysis performed here is intended to inform the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

PURPOSE OF CLIMATE ASSESSMENTS

The purpose of the Climate Assessments is to evaluate the anticipated impact of legislation on the County's contribution to addressing climate change. These climate assessments will provide the Council with a more thorough understanding of the potential climate impacts and implications of proposed legislation, at the County level. The scope of the Climate Assessments is limited to the County's contribution to addressing climate change, specifically upon the County's contribution to greenhouse gas emissions and how actions suggested by legislation could help improve the County's adaptative capacity to climate change, and therefore, increase community resilience.

While co-benefits such as health and cost savings may be discussed, the focus is on how proposed County bills may impact GHG emissions and community resilience.

CONTRIBUTIONS

OLO staffer Kaitlyn Simmons drafted this assessment.

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[1] Policy Basics: Tax Exemptions, Deductions, and Credits, Center on Budget and Policy Priorities, November 2020.

[2] Bill 42-16, Taxation - Property Tax Credit - Elderly Individuals and Veterans, Montgomery County Council, Effective Date March 17, 2017.

[3] Introduction Staff Report for Bill 45-23, Property Tax Credit - Individuals 65 and Above, Retired Military Service Members, Montgomery County Council, Introduced December 5th, 2023.

[4] Bill 3-22, Legislative Branch – Climate Assessments – Required, Montgomery County Council, Effective date October 24, 2022

Fiscal Impact Statement

Office of Management and Budget

Bill 45-23 Property Tax Credit - Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members

Bill Summary

Bill 45-23 amends the existing property credit available to individuals 65 and above and for retired military service members, disabled military service members, and their spouses.

Fiscal Impact Summary

The proposed changes to the Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members property tax credit are anticipated to reduce property tax revenues by $100 million over six years in the revenues column, which shows the high-end loss scenario. In addition to the reduction in property tax revenues, the changes necessitate two additional staff members for the Department of Finance's Division of Treasury, one at grade 23 and one at grade 16, which is anticipated to increase expenditures by $248,367 in the personnel costs column. There are also IT-related costs of $30,000 annually in the operating expense column. The following table below is the maximum possible cost of this bill, a more detailed range of revenues is below in the Fiscal Impact Analysis section.

Fiscal Year	2025	2026	2027	2028	2029	2030	Total
Personnel Costs	$248,367	$248,367	$248,367	$248,367	$248,367	$248,367	$1,490,202
Operating Expenses	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$180,000
Total Expenditures	**$278,367**	**$278,367**	**$278,367**	**$278,367**	**$278,367**	**$278,367**	**$1,670,202**
Revenues	**($13,800,000)**	**($14,800,000)**	**($16,000,000)**	**($17,100,000)**	**($18,300,000)**	**($19,500,000)**	**($99,500,000)**
Total Impact	**($14,078,367)**	**($15,078,367)**	**($16,278,367)**	**($17,378,367)**	**($18,578,367)**	**($19,778,367)**	**($101,170,202)**
FTE	2.00	2.00	2.00	2.00	2.00	2.00	

Fiscal Impact Analysis

In 2017, the Council enacted Bill 42-16, which created a property tax credit for individuals 65 and over who have lived in the same dwelling for 40 years, for retired military service members who are 65 or over, or for the surviving spouse of retired service members. Originally the property tax credit was granted annually for a maximum period of five years, subject to application requirements.

Expedited Bill 09-22E subsequently extended the credit to seven years and was expected to reduce county revenues by $12.2 million between FY23 and FY28. Bill 01-23 subsequently increased the maximum assessed value of eligible properties owned by individuals 65 and above to $700,000 and eligible properties owned by retired military service members to $550,000. Bill 01-23 was expected to reduce county revenues by $318,000 between FY24 and FY29

Bill 45-23 amends the existing property credit available to individuals 65 and above and for retired military service members, disabled military service members, and their spouses in the following ways:
1. Sets the maximum assessed value of eligible homes to $899,999 and increases this amount annually by the lesser of CPI or 5%;
2. Increases the number of years an individual may qualify for the credit from 7 to 10 years;
3. Reduces the amount of time individuals 65 and above must reside in their home from 40 years to 25 years;
4. Applies income requirements to the amount of the property tax credit issued:
a. 20% credit for individuals with income equal to or less than $90,000;
b. 35% credit for individuals with income equal to or less than $75,000;
c. 50% credit for individuals with income equal to or less than $50,000;
5. Expands eligibility for the program to certain disabled veterans and their surviving spouses.

The analysis uses the Census Bureau's American Community Survey (ACS) Public Use Microdata Sample (PUMS) 2022 1-year dataset. PUMS is a tool that enables users to create custom estimates and tables out of anonymized responses the Census Bureau uses to generate the entire ACS estimate. The Census Bureau weights responses to estimate the total number of people and the number of households within the specified geography that fulfill the customized criteria.

While PUMS is the only available data source The Department of Finance is aware of to generate estimates of the Montgomery County population using all five required variables needed to determine the fiscal impact of the change in the law, the standard errors of such a specialized survey-generated dataset are large; The ACS samples approximately 1% of American households each year, interviewing 30,822 Maryland households in 2022. As a result of the significant potential sampling error it is not possible to provide a single figure as the estimate of the revenue impact of such an intricate tax credit program as the one proposed.

For this analysis, using PUMS data, the Department of Finance created an estimate for Montgomery County of the age of householders 65 and above as well as those that are between 60 and 64, unit tenure (ownership vs rental), when residents moved into their unit, household income, and property value (all as reported by the Census Bureau). The tool enables the Department of Finance to estimate for example that of the 391,297 occupied houses in the County in 2022 (+/- 2,728), approximately 338 had a head of household who was 65 or older, the households had earnings between $50,001 and $75,000, had occupied the unit over 30 years ago, and the unit had a value of between $700,000 and $899,999.
The Department of Finance used the PUMS dataset compiled to calculate the annual cost of the proposed tax credit over the coming 6 years subject to the following assumptions:

- 75% of eligible households apply for the tax credit in the first year they are eligible. Even though they are eligible, the remaining 25% of eligible households are assumed to never apply to the program. The analysis assumes that no initially eligible households lose eligibility over the term of the tax credit;
- Households receive the tax credit for the full 10-year period;
- After the first year of the program, the number of households becoming eligible each year (assumed to be 1/5 of the households aged 60-64 that were also eligible based on the income and house value requirements) remains constant throughout the 6-year analysis;
- Both home values and CPI-U increase by 2.5% annually;
- The home value reported by the Census is equal to the SDAT property taxable value;
- The terms of the tax credit are unchanged for households already receiving the credit and these households are not eligible to reapply; i.e. households receiving the current credit will leave the program after the current 7-year period allowed and will receive the 20% tax break during that period regardless of their income.

There is no data reasonably available for the Department of Finance to ascertain the potential changes to county tax revenues resulting from the changes to eligibility for certain disabled veterans and their surviving spouses.
Detailed Fiscal Impact Table

Fiscal Year	FY25	FY26	FY27	FY28	FY29	FY30	Total
Tax Revenues	$-10.1M to $-13.8M	$-10.1M to $-14.8M	$-11.8M to $-16.0M	$-12.6M to $-17.1M	$-13.5M to $-18.3M	$-14.4M to $-19.5M	$-73M to $-99M
Personnel Costs	$ 248,647	$ 248,647	$ 248,647	$ 248,647	$ 248,647	$ 248,647	$1.5M
IT Costs	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$180,000
Total Costs	$10.5M to $14.1M	$11.2M to $15.1M	$12.0M to $16.2M	$12.9M to $17.3M	$13.8M to $18.6M	$14.7M to $19.8M	$75.1M to $101.0M

Staff Impact

The proposed changes to the Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members tax credit will require two additional staff members for the Finance Department's Treasury Division. Administering the program will require one staff member at grade 23, at an annual cost of $148,147 inclusive of benefits, and a staff member at grade 16, at a cost of $100,500 inclusive of benefits.

The tax credit expansion substantially increases the number of eligible households and now requires annual submissions from recipients and as a result increases the following tasks:

- Processing of annual applications and supporting applicants to submit the required property ownership and income verification documents;
- Reviewing appeals of rejected applications;
- Ensuring credit is removed from properties that transfer or where the recipient perishes;
- Responding to requests and questions from the public regarding the more intricate tax credit structure.

Actuarial Analysis

Information Technology Impact

Montgomery County uses software known as DocStar to manage the tracking, scanning, and workflow of all the paperwork associated with the tax credit for individuals 65 and above and for retired military service members. Due to the increase in documents and increased usage of the software associated with the credit as revised by bill 45-23 there would be an estimated $30,000 in increased IT systems costs per year.

Other Information

Later actions that may impact revenue or expenditures if future spending is projected

The bill does not authorize future spending.

Ranges of revenue or expenditures that are uncertain or difficult to project

The number of eligible future participants, the percentage of households that learn of the program and apply, and the average value of properties receiving the credit are all difficult to project. To the extent that the values of these variables are greater than or less than what is assumed in the analysis, the impact would adjust accordingly.

Sources of information

Census.gov: https://www.census.gov/acs/www/methodology/sample-size-and-data-quality/sample-size/index.php

Contributors

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Bill 45-23 Property Tax Credit – Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Bill 45-23 would have a positive impact on economic conditions in the County in terms of the Council's priority economic indicators. By modifying several conditions of the Property Tax for Elderly and Military Retirees program, the Bill likely would increase, both, the total number of eligible residents and amount of credits than otherwise would be the case under current law. As a result, the Bill would reduce property tax liabilities for residents who otherwise would not receive the credit without the change in law. Holding all else equal, reduced property tax liabilities would reduce nondiscretionary household expenses, thereby increasing net household income for these recipients. However, based on findings from a recently published study on Maryland's senior property tax relief program, OLO does not expect the Bill to significantly reduce senior homeowner mobility, nor increase property values in the County. Furthermore, because residents likely would use a portion of the property tax savings to spend on goods and services produced by County-based businesses, certain businesses' revenue and income would likely increase.

BACKGROUND AND PURPOSE OF BILL 45-23

In April 2016, the state passed enabling legislation that authorizes local governments to create a property tax credit for elderly individuals and military retirees—hereinafter the "Property Tax for Elderly and Military Retirees program."[1] Since July 2017, the County has provided certain community members who are 65 or older and military retirees a 20-percent property tax credit.[2] Through the program, the County reduces total annual housing costs for certain senior residents and may help some of them "age in place."[3] While beneficial to elderly individuals who receive them, the property tax credit program also reduces tax revenue available to support other competing policy goals.[4]

Since establishing the Property Tax Credit for Elderly and Military Retirees program, the Maryland General Assembly and Council have made significant legislative changes. As OLO concluded in its July 2023 report on the program,

- *Changes to state law generally have expanded the program to more homeowners and given local governments in the state more authority to determine their program's conditions.*

[1] DeFazio and Roblin, "Senior Property Tax Credits."
[2] Ibid.
[3] The CDC defines "aging in place" as "[t]he ability to live in one's own home and community safely, independently, and comfortably, regardless of age, income, or ability level."
[4] DeFazio and Roblin, "Senior Property Tax Credits."

- *Changes to Montgomery County law expanded the program to more homeowners, but not to the full extent authorized under state law. The changes also made the process of applying for the credit less onerous on program participants.* [5]

Table 1 shows the current status of the program in County and state law.

Table 1. Status of the Property Tax Credit for Elderly and Military Retirees Program in County and state Law

Program Condition	Current County Law	Current State Law
Eligibility Group/ Minimum Age	(a) Elderly (age 65+) (b) Military Retirees (age 65+) (c) Surviving Spouses of Military Retirees (age 65+)	(a) Elderly (age 65+) (b) Military Retirees (age 65+) (c) Surviving Spouses of Military Retirees (age 65+) (d) Disabled Military (e) Surviving Spouses of Disabled Military
Minimum Residency	40 years for Elderly	up to County
Limit on Assessed Value	• $700,000 for Elderly • $550,000 for Military Retirees	up to County
Amount of Tax Relief	20%	up to County
Duration of Tax Relief	7 years	up to County
Application Frequency	Once	up to County
Additional Eligibility Criteria		
• Income Limit	none	up to County
• Net Worth Limit	none	up to County

Source: DeFazio and Roblin, "Senior Property Tax Credits"

[5] Ibid.

The goal of Bill 45-23 is to help "older residents and retired military service members and their spouses age in place in Montgomery County."[6] The Bill would attempt to do so by modifying the Property Tax for Elderly and Military Retirees program in the following ways:

- Expand the eligibility groups to include active duty, retired, or honorably discharged members of the U.S. uniformed services with service-connected disabilities and their surviving spouses.
- Decrease the minimum residence requirement from 40 years to 25 years.
- Increase the limit on the assessed value of an applicant's home from $700,000 for elderly and $599,000 for military to $899,999 for tax year 2023—thereafter the limit would be increased annually based on inflation.
- Increase the duration of the property tax credit from 7 years to 10 years.
- Alter the amount of the property tax credit based on an applicant's annual income, as shown in **Table 2**.

Table 2. Income Criteria for Property Tax Amount

Annual Income	Amount of Property Tax
Equal to or less than $90,000	20%
Equal to or less than $75,000	35%
Equal to or less than $50,000	50%

The Council introduced Bill 45–23, Property Tax Credit – Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members, on December 12, 2023.

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess, both, the impacts of Bill 45-23 on residents and private organizations in terms of the Council's priority economic indicators and whether the Bill would have a net positive or negative impact on overall economic conditions in the County.[7]

The economic impacts of Bill 45-23 largely depend on its effects on the total number of residents eligible to receive the property tax credit and the total amount of credits disbursed on an annual basis. According to Department of Finance personnel working on the Fiscal Impact Statement for the Bill, it would significantly increase, both, the total number of eligible residents and amount of credits than otherwise would be the case under current law. OLO does not, however, know the magnitude of these effects. For these estimates, see the forthcoming Fiscal Impact Statement.

[6] "Council President Friedson Introduces Legislation to Expand County Property Tax Credit for Older Adults."
[7] Montgomery County Code, Sec. 2-81B.

Importantly, the County would use tax revenue to fund the property tax credits. The internal transfer from the County to the recipients of the property tax credit would not entail a net increase in the amount of economic activity in the County. For this reason, the Bill's total economic impact would depend on: (a) the per year economic impacts to County residents and businesses from reduced property tax liabilities of future recipients; and (b) the per year economic opportunity cost of the forgone County revenues.

Because OLO does not know how the forgone property tax revenues would otherwise be used in the absence of enacting Bill 45-23, this analysis does not account for the economic impacts of alternative government spending with the forgone revenue. The scope of this analysis, therefore, is limited to the economic impacts of the reduced property tax liabilities for residents who otherwise would not be eligible for the credit in the absence of the change in law.

To assess Bill 45-23's economic impacts, this analysis draws on:

- OLO report, Senior Property Tax Credits; and
- Economic Impact Statement for Bill 1-23.

In addition, this analysis draws on *impact evaluations* to identify empirically well-established effects of senior property tax credits on economic outcomes. Impact evaluations are a core tool of evidence-based policymaking. They strive to answer cause-and-effect questions regarding the impact of a policy or program on a specific outcome(s).[8]

In particular, this analysis focuses of the following peer-reviewed article that was identified on the Google Scholar database:

- Spreen and Keddington (2023), "Temporary Property Tax Relief and Residential Home Sales," *National Tax Journal*

The study examines the impact of Maryland counties that implemented the temporary property tax credits to senior homeowners beginning in 2017 on home sales of eligible senior homeowners. OLO selected this study for two reasons: First, the County is part of the sample, which reduces concerns regarding the extent to which the findings can be generalized to the potential effects of Bill 45-23. Second, it uses quasi-experimental methods,[9] which are distinguished from non-experimental methods by their ability to better identify the causal effects of a policy intervention from outcomes correlated with, but unrelated to, the intervention due to unmeasured confounding and other threats to causal inference.

In later sections of this analysis, OLO reviews this study to draw evidence-based conclusions regarding the impacts of temporary senior property tax credits on specific outcomes. These conclusions, along with findings from other sources cited in this report, are the primary basis on which OLO infers the economic impacts that Bill 45-23 would have on businesses, residents, and overall economic conditions in the County.

[8] Gertler et al., *Impact Evaluation in Practice, Second Edition*.
[9] Difference-and difference and regression discontinuity designs.

VARIABLES

The primary variables that would affect the economic impacts of enacting Bill 45-23 are the following:

- total number of property tax credit recipients;
- total property tax savings for recipient; and
- senior mobility.

IMPACTS

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Impact of Maryland's Senior Property Tax Relief Program

While rising home values increase property wealth, they typically induce higher property tax liabilities for homeowners. Higher property taxes can be especially challenging for senior homeowners who do not work and are dependent on fixed payments from Social Security, pensions, or retirement savings. Seniors may respond to higher property taxes by downsizing to a smaller home or becoming renters in their current jurisdiction or relocating to a lower-tax jurisdiction.[10]

To help senior homeowners "age in place," many states and local governments provide seniors with property tax abatements. Many property tax relief programs for seniors have few eligibility requirements other than age condition. In fact, the existing literature on the economic impacts on these programs have largely focused on programs that are "permanent" and "portable across properties in the state or locality."[11] These studies have consistently found that these programs reduce senior homeowner mobility, as well as increase property values.[12]

Unlike the programs evaluated in these studies, the County's senior property tax credit program is *temporary* and *nonportable* under current law. While Bill 45-23 would extend the duration of the program from 7 years to 10 years, the program nonetheless would remain temporary and nonportable under the proposed changes.

Spreen and Keddington (2023) examine whether the findings regarding permanent senior property tax relief programs extend to the temporary relief programs in Maryland counties. With data on residential property assessment and transaction data compiled by the Maryland Department of Assessments and Taxation, they use quasi-experimental methods to examine the program's impact on senior homeowner mobility.

First, they compare "sales of eligible properties with at least 40 years of homeowner tenure in adopting counties [e.g., Montgomery County] with comparable properties in nonadopting counties." They find "a small and statistically insignificant decline in sales of all eligible properties in participating counties over the three years following the adoption of the temporary property tax credit."

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[10] Spreen and Keddington, "Temporary Property Tax Relief and Residential Home Sales"; Kim and Dawkins, "Aging, Property Taxes, and Housing Adjustments."
[11] Spreen and Keddington, "Temporary Property Tax Relief and Residential Home Sales."
[12] Spreen and Keddington; Hanson, "Taxes and Economic Development"; Kim and Dawkins, "Aging, Property Taxes, and Housing Adjustments."

Second, they compare "sales of homes just above and below the homeowner tenure-eligibility requirement for the credit" in adopting counties. They find that "sales of properties just above the homeowner tenure-eligibility threshold declined by about 16 percent after the temporary credit was introduced, though this estimate also does not differ statistically from zero."

Based on the findings from these comparisons, they conclude that "the balance of the empirical results suggest that temporary property tax relief did not significantly affect the home sales decisions of eligible homeowners during the benefit period."

The study does not example the effect of the temporary senior property tax relief programs on property values. However, they note the following:

> [A]ny capitalization of Maryland's temporary property tax credit into home values should also be largely transitory. This is because new homeowners are ineligible for the credit until they reach 40 years of tenure in the home. By contrast, a temporary credit that is available to both current and new homeowners should capitalize on a permanent basis.

Residents

OLO anticipates that Bill 45-23 would have a positive impact on certain residents in the County in terms of the Council's priority economic indicators.

By modifying the conditions of the County's senior property tax credit program, the Bill would significantly increase, both, the total number of eligible residents and amount of credits than otherwise would be the case under current law.[13] Holding all else equal, reduced tax liabilities would reduce nondiscretionary household expenses, thereby increasing net household income for these recipients.

Based on Spreen and Keddington (2023)'s study, OLO does not anticipate that extending the duration of the property tax credit to 10 years would be enough to significantly reduce senior homeowner mobility for recipients. If this correct, then the Bill would not reduce "transactions that occur under duress, such as mortgage foreclosures or tax lien sales" or the costs associated with moving. Moreover, the findings from this study suggest that the Bill may not impact residential property values in the County.

Beyond these potential impacts, OLO does not expect the Bill to affect residents in terms of the Council's other priority indicators.

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that enacting Bill 45-23 would have positive impacts on certain private organizations in the County in terms of the Council's priority economic indicators.

It is likely these residents would use a portion of the property tax savings to spend on goods and services produced by County-based businesses. Holding all else equal, these businesses would experience increased revenue and income. It is

[13] OLO correspondence with Department of Finance personnel.

also worth noting that the Bill would not negatively impact residential real-estate firms if it does not reduce home sales among seniors, as previously discussed.

Beyond these potential impacts, OLO does not expect the Bill to affect private organizations in terms of the Council's other priority indicators.

Net Impact

The Office of Legislative Oversight (OLO) anticipates that Bill 45-23 would have a positive impact on economic conditions in the County in terms of the Council's priority economic indicators. By modifying several conditions of the Property Tax for Elderly and Military Retirees program, the Bill likely would increase, both, the total number of eligible residents and amount of credits than otherwise would be the case under current law. As a result, the Bill would reduce property tax liabilities for residents who otherwise would not receive the credit without the change in law. Holding all else equal, reduced property tax liabilities would reduce nondiscretionary household expenses, thereby increasing net household income for these recipients. However, based on findings from a recently published study on Maryland's senior property tax relief program, OLO does not expect the Bill to significantly reduce senior homeowner mobility, nor increase property values in the County. Furthermore, because residents likely would use a portion of the property tax savings to spend on goods and services produced by County-based businesses, certain businesses' revenue and income would likely increase.

DISCUSSION ITEMS

Given the findings from the Spreen and Keddington (2023) study discussed above, Councilmembers may want to consider making the program permanent to prevent seniors from selling their homes due to financial distress.

Councilmembers may also want to consider making the program portable, so that senior homeowners who prefer to relocate within the County for reasons unrelated to financial distress (e.g., down-sizing for health reasons) may benefit from the program.

WORKS CITED

DeFazio, Blaise and Stephen Roblin. "Senior Property Tax Credits." Office of Legislative Oversight, Montgomery County Council, July 25, 2023.

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Kim, Jinyhup, and Casey Dawkins. "Aging, Property Taxes, and Housing Adjustments: Lessons From the Health and Retirement Study." *Housing Policy Debate* 31, no. 6 (November 2, 2021): 947–66.

Montgomery County Code. Sec. 2-81B, Economic Impact Statements.

Montgomery County Council. "Council President Friedson Introduces Legislation to Expand County Property Tax Credit for Older Adults," December 12, 2023.

Spreen, Thomas Luke, and Colton Keddington. "Temporary Property Tax Relief and Residential Home Sales." *National Tax Journal* 76, no. 3 (September 2023): 593–620.

CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the Bill under consideration.

AUTHOR

Stephen Roblin (OLO) prepared this report.

Bill 45-23, *Property Tax Credit - Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members*
Montgomery County Council
January 23, 2024
Support

The Montgomery County Chamber of Commerce (MCCC) supports Bill 45-23**,** *Property Tax Credit - Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members***.** Bill 45-23 amends the eligibility criteria for the property tax credit available to individuals 65 and above, and to retired or disabled military service members and their spouses to make it easier to age in place in Montgomery County.

MCCC supports incentives that seek to keep retirees here in Montgomery County, and in particular retired military veterans and disabled military service members. Supporting military and service disabled veterans has been a longtime MCCC priority, most notably through efforts of the Montgomery County Chamber Community Foundation's (MCCCF) Veterans Institute for Procurement (VIP) program.

The VIP program is the first free training program for Service-Disabled Veteran-Owned Small Businesses and Maryland Veteran-Owned Small Businesses. Veteran-Owned company "C-level" executives receive 27 hours of comprehensive instruction on how to accelerate their federal government contracting business skills. Over three days, subject matter experts from industry and government provide best business practice strategies and instruction. Most of the executives who graduate from the VIP program are retired military veterans who reside in Maryland.

Maryland's incentives for military retirees are often not competitive with other jurisdictions. It is imperative that Montgomery County does more for military and disabled veterans by offering competitive incentives to remain here after retirement.

For these reasons, the Montgomery County Chamber of Commerce supports Bill 45-23 and respectfully requests favorable consideration of the bill.

The Montgomery County Chamber of Commerce, on behalf of our members, advocates for growth in business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and a proud Montgomery County Green Certified Business.

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COMMISSION ON AGING

January 10, 2024

Andrew Friedson, President
Montgomery County Council
100 Maryland Avenue, 4th floor
Rockville MD 20850

RE: Bill 45-23

Dear Council President Friedson:

I am writing on behalf of the Montgomery County Commission on Aging (CoA) to support your proposed legislation, "Bill 45-23, Property Tax Credit –Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members." The CoA is authorized by the Older Americans Act, P.L. 116-131, and was established by Montgomery County in 1974 to advise the county government on the needs, interests, and issues of older adult residents, and to advocate on their behalf at the local, state, and national levels. The Commission identifies issues where its voice on the needs of older adults can make a difference. Therefore, we are pleased that you have introduced a Bill to amend the senior property tax credit program in Montgomery County. We commend your interest in this issue of importance to older adults.

The CoA is pleased that the proposed amendments alter the amount of the credit based on income. We have two recommendations for your consideration that we believe would enhance the progressive nature of the Bill:

1. Under *(d) Amount and duration of credit*: Peg the income tiers to the homeowners' annual income <u>as a percentage of Area Median Income (AMI)</u> rather than on salary. For example, instead of "if the annual income of the applicant is equal to or less than $90,000," the qualification for the smallest 20% tax credit would read, "if the annual income of the applicant is equal to or greater than 60% of Montgomery County AMI but no greater than 75% of AMI..." The next tier would be 40-60% AMI, etc. Pegging the credit to AMI would help ensure that the benefits continue to accrue to the intended Montgomery County homeowners despite changes in median income for the County.
2. Add a fourth tier that would eliminate property tax for homeowners earning less than 20% of AMI.

Your proposed legislation is timely, given the increase in property values in Montgomery

County and the desire of many older residents to remain in their homes. As you know, the number of older Marylanders is increasing. In Montgomery County, residents who are 60 years of age and older now make up 21 percent of the county's total population and this number is projected to increase substantially over time.

The CoA appreciates your concern for older adults and we look forward to working with you and your staff.

Sincerely,

David Engel

David Engel, Chair

MARYLAND MILITARY COALITION

Serving Veterans through Legislative Advocacy

January 23, 2024

The Honorable Andrew Friedson, President
Montgomery County Council
100 Maryland Avenue, 6th Floor
Rockville, MD 20850

Subject: **Request for FAVORABLE Report With Amendment** – 45-23 – Income Tax – Caregiver Tax Credit

Dear President Friedson and members of the Montgomery County Council:

On behalf of the members of the Maryland Military Coalition (MMC) and as its Communication Director, and as the Legislative Director for the Maryland Military Officers Association of America Council of Chapters, a member of the MMC, I write to recommend a **FAVORABLE report <u>with amendments</u>** by the Montgomery County Council on 45-23 **Property Tax Credit - Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members.** This bill will modify the existing property tax exemption in several ways. The bills intention is to allow targeted individuals to age in place in their homes, by reducing the cost of their property tax. The bill:

- Decreases the number of years that a person over the age of 65 must reside in the home from 40 to 25 years;
- Increases the threshold of assessed value of the home from the current value of $700,000 for a senior citizen and $550,000 for a uniformed service retiree to the "qualifying amount", that upon implementation is set at $899,900—a figure that will be adjusted according to the Consumer Price index or 5%, whichever is less;
- Includes a surviving spouse who is ≥ 65 years old and not remarried;
- Adds disabled Active Duty, retired or honorably discharged member of the Unformed Services, reserves or national guard and has a service-connected disability OR a surviving spouse that has not remarried; and
- Imposes an income threshold to receive the exemption. The threshold applies to all income for those would benefit from the exemption (e.g. for a single person or the couple if the home was deeded to both)
    - <$90,000 for a 20% exemption
    - <$75,000 for a 35% exemption
    - <$50,000 for a 50% exemption

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- Any individual currently receiving a property tax exemption would be grandfathered, should 45-23 be passed.

However, 45-23 ignores enabling legislation passed in 2020 by the Maryland General Assembly that addressed property tax exemptions for severely disabled veterans. HB 257, co-sponsored by Montgomery County Delegate Anne Kaiser, passed and was promulgated into **Maryland Code, Tax-Prop. §9-265 – Tax credit for disabled veterans**[i]. This code allows for a property tax exemption of 25% for disabled veterans who have a disability rating of 50% but not more than 74%; and a 50% exemption for a veteran with a disability of 75 – 99% ***by law***, if adopted by the governing body of a county or municipal corporation. ***Bill 45-23 does not comport with this portion of the tax code.***

As background:

- Montgomery County is home to 39,297[ii] veterans of which 9,524[iii], almost one-third, have a disability rating.
- Currently there are 1,602 Montgomery County veterans who are rated at 100% and are entitled to claim a full exemption from their property taxes.
- The Veterans Administration, in their most recent report of disability ratings by county identified 1,418 veterans with a 50-60% rating and another 2,521 veterans with a 70-90% rating.
- Bill 45-23 currently does NOT have a percent of disability threshold. As written, all 9,524 veterans would be entitled to take the exemption if they met both the assessed value qualifying amount AND the income threshold. However, if the service member and spouse were listed on the deed to the home, then the income threshold would apply to the total income of ALL parties on the deed, or everyone who received the benefit.

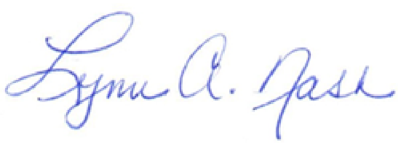
The Maryland Military Coalition asks that **45-23 be amended** to comport with **Maryland Code, Tax-Prop §9-265 – Tax credit for disabled veterans,** by replacing the language within (c) (4) A and B (lines 51-56) with the language, including the percentages from the code. We also note that the County's proposed income thresholds unfairly penalize seriously disabled retired service members who in many cases have enormous health, quality of life and mobility issues.

The Maryland Military Coalition **strongly supports 45-23** and asks for a ***FAVORABLE report with amendment*** from the Council. Establishing a property tax credit for severely disabled veterans is a goal of the Coalition. We support actions that allow veterans to age in place, by reducing the financial burden to do so. Bill 45-23 enhances the Moore Administration’s Year of the Military Families and is in keeping with the Governor’s mantra: “Leave No One Behind”

The Maryland Military Coalition is a non-partisan organization of 21 Veteran organizations representing over 150,000 Maryland uniformed services men and women and their families -- almost half of the 355,000 veterans in the State.

We want to thank Council President for sponsoring this legislation enabling elderly and the disabled to age in place and his strong, support of the uniformed services community in Montgomery County, Maryland.

Respectfully,



Lynn A. Nash, PhD, RN, PHCNS-BC, FAAN
CAPTAIN (Ret.), U.S. Public Health Service
Communications Director

Attachments:

1. Maryland Tax Code §9-265
2. Montgomery County statistics – number of veterans
3. Montgomery County statistics – number of veterans by disability rating
4. Maryland Defense Demographics

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[i] Maryland Tax Code §9-265
[ii] State Demographic Data, Race/Ethnicity and Gender 2020. Purdue University, Military Family Research Institute. www.measuringcommunities.org
[iii] FY 2019 VA Disability Compensation Recipients by County. Source: Department of Veterans Affairs, Office of Enterprise Integration, United States Veterans Eligibility Trends & Statistics (USVETS) 2019

Md. Code, Tax-Prop. § 9-265

Section 9-265 - Tax credit for disabled veterans

(a)

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

(2) "Disabled veteran" means an individual who:

(i) is honorably discharged or released under honorable circumstances from active military, naval, or air service as defined in 38 U.S.C. § 101; and

(ii) has been declared by the Veterans Administration to have a permanent service-connected disability of at least 50% that results from blindness or any other disabling cause that:

1. is reasonably certain to continue for the life of the veteran; and

2. was not caused or incurred by misconduct of the veteran.

(3) "Dwelling house":

(i) means real property that is:

1. the legal residence of a disabled veteran; and

2. occupied by not more than two families; and

(ii) includes the lot or curtilage and structures necessary to use the real property as a residence.

(b) The Mayor and City Council of Baltimore City or the governing body of a county or municipal corporation may grant, by law, a property tax credit under this section against the county or municipal corporation property tax imposed on a dwelling house if:

(1) the dwelling house is owned by a disabled veteran;

(2) the disabled veteran's federal adjusted gross income for the immediately preceding taxable year does not exceed $100,000; and

(3) the application requirements of subsection (d) of this section are met.

(c) The property tax credit granted under this section shall equal:

(1) 50% of the county or municipal corporation property tax imposed on the dwelling house if the disabled veteran's service-connected disability rating is at least 75% but not more than 99%; or

(2) 25% of the county or municipal corporation property tax imposed on the dwelling house if the disabled veteran's service-connected disability rating is at least 50% but not more than 74%.

(d)

(1) A disabled veteran shall apply for the property tax credit under this section by providing to the county or municipal corporation:

(i) a copy of the disabled veteran's discharge certificate from active military, naval, or air service; and

(ii) on the form provided by the county or municipal corporation, a certification of the disabled veteran's disability from the Veterans Administration.

(2) The disabled veteran's certificate of disability may not be inspected by individuals other than:

(i) the disabled veteran; or

(ii) appropriate employees of the county or municipal corporation.

(e) The Mayor and City Council of Baltimore City or the governing body of a county or municipal corporation may, by law, continue to provide the property tax credit under this section to the surviving spouse of the disabled veteran.

(f) The Mayor and City Council of Baltimore City or the governing body of a county or municipal corporation may provide, by law, for:

(1) the duration of the tax credit;

(2) regulations and procedures for the application and uniform processing of requests for the tax credit;

(3) the definition of surviving spouse and the amount and duration of the tax credit for the surviving spouse; and

(4) any other provision necessary to carry out the tax credit under this section.

Md. Code, TP § 9-265

Added by 2020 Md. Laws, Ch. 630,Sec. 1, eff. 6/1/2020.
Added by 2020 Md. Laws, Ch. 629,Sec. 1, eff. 6/1/2020.

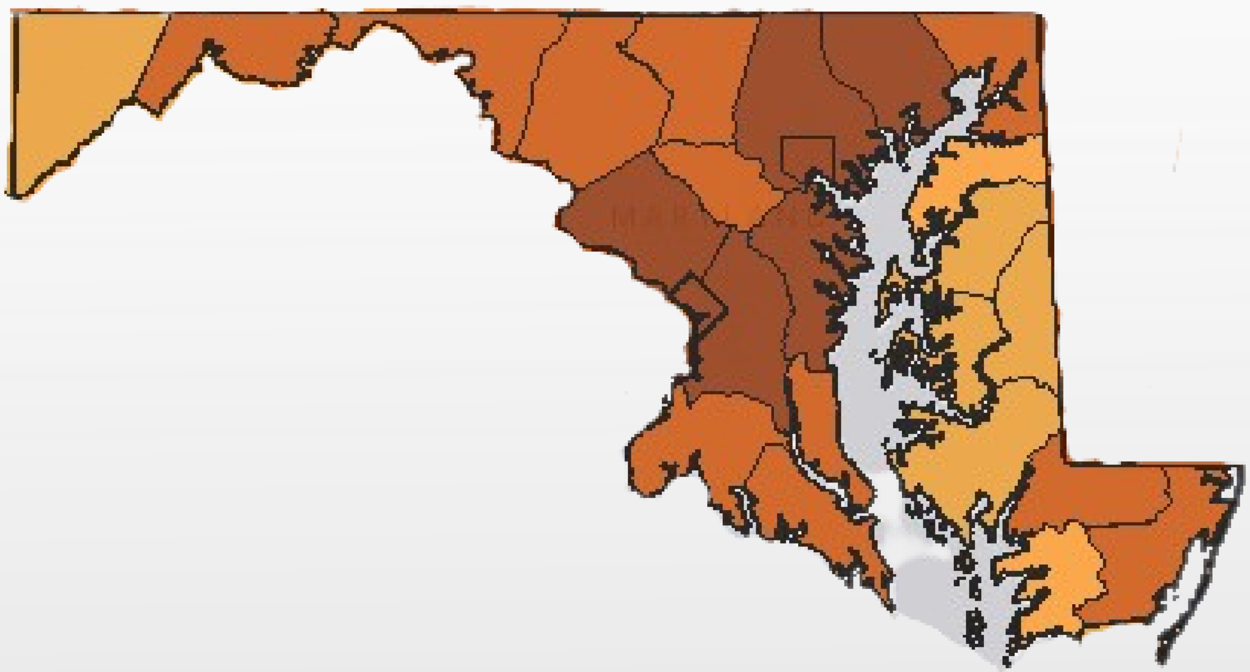
COUNTY DATA

MOST POPULOUS VETERAN COUNTIES IN MARYLAND

VETERAN POPULATION

1. **Prince George's** (52,203 veterans)
2. **Anne Arundel** (49,765 veterans)
3. **Baltimore** (42,264 veterans)
4. **Montgomery** (39,297 veterans)
5. **Baltimore City** (26,339 veterans)
6. **Harford** (19,179 veterans)
7. **Howard** (16,815 veterans)
8. **Frederick** (16,403 veterans)
9. **Charles** (15,384 veterans)
10. **St. Mary's** (10,723 veterans)

Maryland



FY 2019 VA Disability Compensation Recipients by County

Source: *Department of Veterans Affairs, Office of Enterprise Integration, United States Veterans Eligibility Trends & Statistics (USVETS) 2019*

Prepared by National Center for Veterans Analysis & Statistics, January 2021, www.va.gov/vetdata

**Small cell counts have been suppressed to protect the identity of Veterans. Some categories may not sum to the total due to missing information (e.g., age, gender etc.

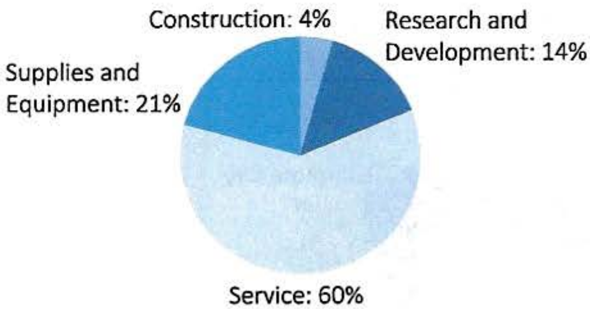
FIPS code	State	County Name	Total Disability Compensation	Service-connected Disability Rating					Age			Sex	
				0-20%	30-40%	50-60%	70-90%	100%	17-44	45-64	65 or older	Male	Female
24001	Maryland	Allegany	958	269	162	136	222	169	196	282	480	887	71
24003	Maryland	Anne Arundel	13,341	2,998	2,265	2,153	3,808	2,117	4,427	5,749	3,163	10,580	2,761
24005	Maryland	Baltimore	8,495	2,219	1,487	1,270	2,019	1,500	2,062	3,110	3,322	7,313	1,182
24009	Maryland	Calvert	1,950	496	339	319	547	249	591	873	486	1,657	293
24011	Maryland	Caroline	368	101	55	62	95	55	100	119	149	323	45
24013	Maryland	Carroll	1,832	558	339	284	432	219	520	629	683	1,615	217
24015	Maryland	Cecil	1,629	400	255	210	451	313	377	654	598	1,436	193
24017	Maryland	Charles	5,164	1,078	833	819	1,556	878	1,447	2,736	981	3,879	1,285
24019	Maryland	Dorchester	431	106	82	65	109	69	75	142	214	389	42
24021	Maryland	Frederick	3,934	1,022	690	606	1,043	573	1,210	1,525	1,199	3,329	605
24023	Maryland	Garrett	428	94	81	68	91	94	70	124	234	401	27
24025	Maryland	Harford	5,062	1,142	820	747	1,447	906	1,205	2,383	1,474	4,337	725
24027	Maryland	Howard	3,981	968	737	664	1,004	608	1,350	1,637	994	3,168	813
24029	Maryland	Kent	220	70	36	20	51	43	37	74	109	200	20
24031	Maryland	Montgomery	9,524	2,412	1,571	1,418	2,521	1,602	2,997	3,564	2,963	7,689	1,835
24033	Maryland	Prince Georges	16,932	3,799	2,636	2,559	4,815	3,123	4,083	7,557	5,292	13,444	3,488
24035	Maryland	Queen Annes	571	153	93	99	141	85	156	209	206	514	57
24037	Maryland	Saint Marys	3,908	1,029	710	705	1,033	431	1,203	2,034	671	3,325	583
24039	Maryland	Somerset	314	59	45	47	85	78	50	103	161	278	36
24041	Maryland	Talbot	420	127	77	60	99	57	68	116	236	386	34
24043	Maryland	Washington	2,062	582	379	306	491	304	535	721	806	1,840	222
24045	Maryland	Wicomico	1,274	352	197	179	342	204	325	452	497	1,122	152
24047	Maryland	Worcester	941	261	145	129	239	167	164	275	502	854	87
24510	Maryland	Baltimore City	6,537	1,626	1,138	968	1,627	1,178	1,310	2,634	2,593	5,624	913

MARYLAND

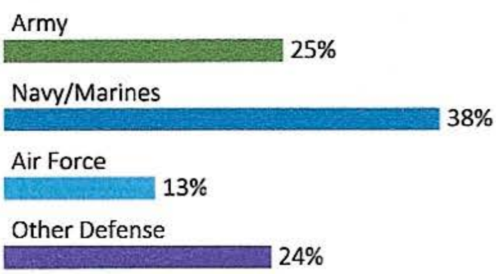
#6	#6	4.7%	$4,289	#7	#4	#8	#5
$26.4 B SPENT IN STATE	5.6% OF STATE GDP	OF TOTAL U.S. DEFENSE SPENDING	PER RESIDENT	$17.5 B CONTRACT SPENDING	$626.4 M GRANT SPENDING	93,930 NUMBER OF PERSONNEL	$8.4 B PERSONNEL SPENDING

DEFENSE CONTRACTS

By Type



By Service



Top Defense Contractors

(M = millions, B = billions)

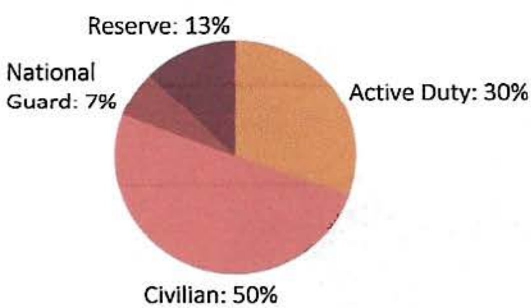
Northrop Grumman	$1.3 B
Johns Hopkins University	$1.2 B
Leidos	$685.7 M
Booz Allen Hamilton	$489.6 M
BAE Systems	$459.1 M
Johns Hopkins Health System Corp.	$455.7 M
Amentum Services, Inc.	$421.9 M
V2X	$378.6 M
Lockheed Martin	$375.2 M
TCOM, LP	$332.4 M

Contract Awards Performed

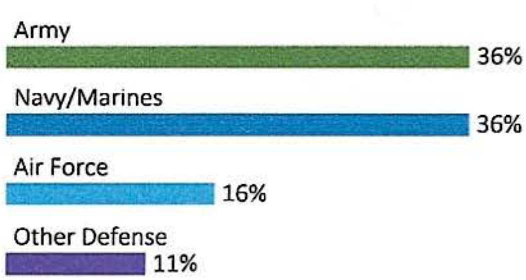
(By Fiscal Year, billions)

DEFENSE PERSONNEL

Allocations, By Type



Allocations, By Service



$8.4 BILLION
TOTAL PAYROLL

93,930
TOTAL PERSONNEL

Top Defense Personnel Locations

County	Active Duty	Civilian	National Guard	Reserve	Total
Anne Arundel	12,888	9,030	441	3,697	26,056
Prince George's	4,770	4,768	1,007	4,419	14,964
Harford	832	10,762	910	566	13,070
St. Mary's	2,121	10,045	65	18	12,249
Montgomery	4,556	6,348	189	561	11,654
Charles	567	2,380	42	816	3,805
Frederick	1,140	2,274	90	173	3,677
Baltimore	111	374	2,630	503	3,618
Baltimore City	83	981	333	978	2,375
Allegany	1,013	ND	0	89	ND

(34)

City of Takoma Park

City of Takoma Park
7500 Maple Avenue
Takoma Park, MD 20912

TalishaS@takomaparkmd.gov
202-339-7914

Talisha Searcy, Mayor

January 22, 2024

Andrew Friedson, President
Montgomery County Council
100 Maryland Avenue, 4th floor
Rockville MD 20850

RE: Bill 45-23

Dear Council President Friedson:

The City of Takoma Park supports County Bill 45-23, Property Tax Credit –Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members, which would make adjustments to the current property tax credit program. We appreciate your attention to identifying ways that can help our older and veteran homeowners to age in place in our community.

The proposed shifts to this program are aligned with Takoma Park's housing and equity goals, by allowing more older homeowners who are lower income and black and brown to receive the benefit of these credits. Takoma Park has many older, lower-income homeowners, of all races and ethnicities, who would benefit from changing eligibility from 40 to 25 years and incorporating an income test. Housing costs burden is greatest for our homeowners with lower income; about 1/3 of homeowners earning from $75,000 to $100,000 spend at least 30% of their income on mortgage costs, and the percentage is much higher for homeowners with lower incomes.

We support the changes suggested by the County's Council on Aging, to define income categories by percentage of AMI rather than fixed dollar amounts, and adding a fourth lower income tier.

We recognize that this program only addresses needs of current, long-term homeowners, who are disproportionately white. So we also urge the County Council to consider policy recommendations in the County's 2018 study of older adult housing needs, as suggested by the County Council's Office of Legislative Oversight. Additional policies are needed to expand all forms of housing for our seniors, and to increase access to homeownership for our black and brown residents.

Thank you for your attention to our views.

Sincerely,

Talisha Searcy
Mayor, Takoma Park

Bill 45-23 for property tax credits for older adults

I am against this bill if it is not need-based. My parents were millionaires prior to their death a few years ago. I think most older folks in Bethesda, Potomac, etc. are also well-off financially and do not need the hand-out. I do not support putting the financial burden on younger families if the "older adults" have no concerns financially paying their fair share.

Thank you for considering my thoughts.

Steve Smith

To: Montgomery County Council
From: Teresa Buescher, resident Montgomery County MD

Dear Sirs and Madams,

I am writing to express my opinion on the continued Montgomery County Property tax increases that have been occurring on a yearly basis. From the inflated re -valuation every 3 years to the recent increases to support the county schools, you are choking us in the middle class. I am retired Navy, living on a pension, my savings and a small part time job. I own a home in Montgomery county that I purchased 23 years ago. I have no children and no member of my immediate or previous family has ever used Montgomery County schools. We all went to Catholic schools which my parents felt were higher quality, which turned out to be true then and now. The continued property tax increases in the name of the schools are unfair. I understand the need for public schools, but please consider a basal tax rate that all pay, and then an increased tax rate to be levied on the actual users of the schools themselves. An end user tax, so to speak, to make up shortfalls created by those very people. This is probably the most fair solution you can come up with. If you do not want to do that, then you need to tax everyone, not just property owners. Plenty of people who rent use the schools too.

In short, if you must raise taxes, I ask that you primarily tax the people who use the resource and are creating the shortfall. If you insist that the social responsibility of education is the responsibility of all whether those people use ehe resource or not, then you have to tax ALL citizens of Montgomery County, no exceptions, property owners and renters alike. This applies to all projects that theoretically benefit all residents. If it benefits everyone, tax everyone. Find a way. You cannot keep preferentially targeting people who happen to own property as sources of funding for the entire County. That is grossly unfair. New Jersey should not be a role model for Maryland.
Thank you

Teresa Buescher

January 22, 2024

To the Montgomery County Council:

I am a long-time resident of Kensington, MD, and I write in support of Bill 45-23 ("Property Tax Credit: Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members").

The measure has the virtues of being timely, worthy, and much-needed, as a way to ease tax burdens on other seniors and retired service members.

The bill would be improved were it to lower the residence-eligibility requirement to 20 years (from the proposed and somewhat arbitrary 25 years). Doing so would acknowledge that two decades of unbroken home ownership represents an unequivocal commitment to county and to local community.

Such a modification would appropriately expand the reach of the bill, enhancing the prospects that more Montgomery County seniors will be able to remain in place, in residences they acquired long before becoming senior citizens.

A modest revision to the residence-eligibility requirement would represent a much-welcome reduction in tax burdens for additional seniors and, as such, be an important fine-tuning of a bill that otherwise is commendable and deserving of the Council's support.

My sincere thanks for the Council's consideration.

W. Joseph Campbell

W. Joseph Campbell, PhD

Testimony – Richard (Dick) Stoner, for January 23, 2023 MoCo Council hearing

On Bill # 45-23

Good afternoon,

I'm here to testify in favor of Council President, Andrew Friedson's property tax credit for county residents who are over 65 years old.

I was raised in this county near the district line by parents who were first generation college graduates and whose first jobs were in Washington, DC. I went to BCC high school and was fortunate to go to college where I earned a B.S. degree in Economics and Business Administration. My first professional job using the degree was in Washington, DC, where I also rented apartments and homes until I was able to purchase a townhome, with a friend, in Rockville, MD. Within a few years, I married and was able to qualify for the mortgage (at 12-3/4 %)on a single family home, also in the City of Rockville, where I still reside.

The tax bill on that home was approximately $1750 per year, or $ 150 per month.

We've raised three children, and all three graduated from high school in MoCo and went on to college. Our home is the center of family activities for various gatherings with friends, spouses and now grandchildren to a community where we've known and socialized with other families now for more than four decades. It's a stable neighborhood and one that experiences more noise and traffic than when we first moved in, but it's still a great place to live and I deeply enjoy meeting folks who move in, at our summertime picnics and holiday parties. People from all walks of life, and many different races, religions and individual backgrounds seem happy to know their neighbors and look out for one another when needed, in this great area just a few miles west of where we are right now.

Both my wife and I have left full-time professional careers and now must contemplate where best to live as we consider retirement options. I still work, part-time. My income is up and down, as an independent sales rep, with irregular paychecks. While we love where we live, one of the most difficult aspects of living here, is the property tax bill which is approaching $ 10,000 annually (over $750 monthly) and requires significant monthly effort to be sure that it can be paid on top of food, clothing and all of the other essentials. We make less than $ 100,000 now.

The most difficult annual expenditure in our life is the property tax bill which as you know is due half in September and half in December. This year, I borrowed to pay the second half before December 31st. Some people say " Wow, your home has gone up so much in value" but this does not help pay the bill when you plan to stay in your home.

See, I descend from Lancaster County, PA Mennonite farmers. In our culture and community, most families sought to own property, manage the farms and someday be able to hand off the hard earned land and business to the next generation to continue the family business. The goal has never been to sell the homestead and reap a financial benefit that allows the grandparents to move to Florida or some far away less expensive place. The goal was to stay near family and community, both for the help sometimes needed for the older generation, but also to be able to be part of the lives of the younger ones as they mature. I think this model can apply to many suburban families in our generation despite the family home not being at the center of a farm. Staying in a community has benefits to all.

My point is that when families stay put, whole communities are more stable, and maybe some wisdom is even passed down to younger folks, not to mention the many other benefits of having people at different stages of life share the same neighborhood spaces. Though today's careers often dictate moves, and realizing that some people like to move for a sense of variety or adventure in their lives, there are a lot of benefits, not only to family members, but to whole communities, when some portion of the residents who have been there for a long time stay and are part of a diverse community.

Our average sized home, with it's $9-10,000 annual tax bill can be compared to homes of an equal size in say, Westmoreland County, VA (across and down river slightly) or say, Washington County, MD (an hour west) where the tax bill on a home this size would be $ 3-5,000 annually. Here, I must somehow earn another $ 6,000 per year after taxes (= $10,000 before income taxes). As our children grew, we were glad to have services, within the City of Rockville, such as summer camps, efficient trash and recycling collection and access to parks, trails and other amenities. But, as retirees or semi-retirees, we no longer use most of those services, so paying $ 10,000 or more is simply a struggle. The MoCo system and the economy have created a strong incentive to sell and move out.

As County Council members, if you intend to finance the county by encouraging people my age to sell their homes and move on, so that the county can raise funds from the newly increased transfer and recordation taxes and possibly also from the sales tax and higher income tax revenue from younger couples who may earn double the amount we ever earned, then please vote against this bill. On the other hand, if you believe that healthy neighborhoods are enhanced by diversity, in age groups, as well as race, creed, national origin, etc, and if you believe that it's only fair to keep life in Montgomery County reasonably affordable for senior citizens with average or slightly below average earnings, then please support this bill and not penalize citizens who still have lots to offer in terms of volunteer efforts; age diversity, and neighborhood stability. Thank you.

MOCO Property Tax Bill

I have lived in my home in Olney, MD, since Feb. 1969. I will be 82 yrs. on 4/1/2024. I plan to age in place my entire life. Although I worked two months short of my 73rd birthday my Social Security is below the county average. Other income sources are limited. I rely on the funds I have prudently saved to augment my annual expenses since the annual income sources are not enough to cover all the bills.

I have made a point of prudently saving to have a nest egg to cover all taxes, federal, state, and property. In addition, I have hefty other bills for car payments (my previous car was decimated when side swiped by the biggest cement truck imaginable as I was waiting to merge onto 495 Beltway at the Tysons Corner entrance), auto, home and health insurance, home repairs, food and all other necessary everyday expenses that increase each and every year.

It has been a blessing to have the Montgomery County tax break help reduce the property tax I pay each year. I never have been able to understand why the number of years for it to exist gets cut off after the number of years for which it is currently in existence for. Is it assumed that each Senior county resident will have left the county by moving or expiring or has family as a fall back on when the current Tax Relief ends? This bill is extremely necessary and essential to help me manage all my annual expenditures.

I have been a tax payer in Montgomery County, MD for nearly 57 years, having moved here in June 1967. Depending how long I live it is possible that my savings will be gone before I am. Then what will I do?

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Written Testimony in Response to Montgomery County. Bill 45-23, Property Tax Credit – Individuals 65 and Above - Submitted by Joe Isaacs, [redacted]

I am a retired, 73-year-old resident who has lived in the county about 25 years – but only 7 years in my current home since downsizing in 2016. I am the President of Mill Creek Village, a volunteer-led nonprofit community services organization serving seniors' efforts to age in place and all neighbors in the Mill Creek Towne subdivision of Derwood Our mission is to promote a caring, informed and socially connected community. We provide, free of charge, rides to appointments, grocery shopping, friendly home visits and check-in calls and tech support for our older neighbors and host multiple intergenerational events to foster mutual respect across the ages.

Mill Creek Towne was built in the mid-1960's and has remained a middle-class community since. It is a wonderful place to live, raise a family, and age-in-place. Some residents have lived in their homes for 30 to more than 50 years and numerous other seniors have moved here more recently (within the past 15 years) because a sizable number of the home models are smaller and more accessible than newer homes. So, I am acutely aware of the sentiments of seniors, whose incomes have greatly diminished in retirement, regarding their tax burdens and the higher cost of living here.

I often hear from our older clients that that the State of Maryland and our county are not supportive of retirees and, though I completely appreciate their views, it saddens me greatly to hear it. Several older couples in our neighborhood have moved within the past five years, explaining they sought out more senior-friendly and affordable states like Pennsylvania, Florida, Delaware, Virgina and even Colorado. This phenomenon is certainly not exclusive to our community in Maryland. My primary care practitioner for 25 years and a long-time county resident is in his Rockville practice only three days per week because he now commutes from Hanover, PA, where he ultimately plans to fully retire and live more affordably.

Indeed, in 2023 research conducted by the personal finance website "Wallet Hub," examined the best places to retire among the 50 states based on 47 different indices including affordability, health-related measures, and overall quality of life. Maryland was rated 42nd best state to retire (or put another way, the ninth worst state). Many of the metrics used for this research echo the complaints we hear at Village about the quality of medical long-term care, the cost of eating a meal out or going to the grocery store, and tax fairness post school-age children and more limited physical capacity to enjoy amenities like parks, recreation and even libraries. Additionally, the State of Maryland partially taxes their Social Security payments, fully taxes their pension and other retirement saving program distributions, and subjects them and their children to inheritance and estate taxes.

Having said all this, however, I very much appreciate the intent of Bill 45-23 to improve upon a less than stellar record of supporting seniors in terms of their financial peace of mind. However, it does not go far enough. Even for those who are a bit better off because they were able to save for retirement, those dollars are often tied to the whims of the stock market which can be extremely volatile. Additionally, according to the BLS Consumer Price Index, the average inflation rate of the dollar was minus 19.5 percent per year from 2020 to 2024. In other words, what $100,000 could pay for in 2020 would require $116,229 today!

Moreover, a 2023 Yahoo!Finance survey of Americans found that about 37% of retirees say they have no retirement savings at all, up from 30% in 2022, and only about 12% said have at least the recommended $555,000 in savings. Even that target amount (10 times the 2023 median U.S. income) is suspect today in the face of multiple health, environmental and financial crises that have occurred across the country.

In anticipation of what the future holds for retirees, I hope you will also consider as you assess this legislation the following current trends:

(1) fewer and fewer employers are offering retirement savings plans (now only about 50%) or health care coverage;

(2) retirees are increasingly dependent on Social Security Income to make ends meet and that source is constantly being falsely attacked in Congress as the cause of deficits rather than addressed rationally to ensure that this vital program will continue to fulfill its enacted promise; and

(3) nearly 75% of retirees in the U.S. are carrying significant debt beyond their mortgages. Paying for this debt with their retirement fund decreases their standard of living. This in turn can lead to diminished health with the potential for catastrophic illness and injury. As you are likely aware, treatment costs for such outcomes are the leading cause of bankruptcy among Americans.

In the face of these factors and the diminishing the value of our incomes in retirement, I ask the Council to consider increasing by 25 percent the proposed annual income levels upon which the tax credit is based. That would result in the following:

- if the annual income of the applicant is equal to or less than $112,500, 20 percent of the County property tax imposed on the dwelling;

- if the annual income of the applicant is equal to or less than $93,750, 35 percent of the County property tax imposed on the dwelling; and

- if the annual income of the applicant is equal to or less than $62,500, 50 percent of the County property tax imposed on the dwelling.

My wife and I down-sized our home seven years ago to live more affordably in the county we proudly call home since moving here from Chicago in 1999. Under this proposed legislation, despite paying county property taxes for 25 years, we would not be eligible for tax credits because we did not live in our current home for those years.

To add insult to injury, after the county raised the property tax rate last year by 4.7% (despite a reported funding surplus), my wife and I recently received notice of a whopping 30+% increase in our property value assessment (a $210,000 increase). While the COVID epidemic created a seller's market in 2020 and 2021, we have seen property sale prices decrease in our neighborhood since. A home our size recently sold for only $60,000 more than we purchased ours for in 2016 and another comparable home in the neighborhood is on the market now for only $53,000 more than our home was purchased for. Is it any wonder, retirees feel we are being treated unfairly!

Therefore, I ask consideration under this legislation for recognition of seniors who have paid county property taxes for at least 25 years regardless of whether it has been in the same dwelling. The applicant will have demonstrated a commitment to the county and a desire to remain a county resident in good standing. It also does not alter the fact that they will still need to invest in their current homes to make them conducive to elder safety and well-being as they age.

The legislation should read: "If you have reached the age of 65, currently own a home in the county, and have owned homes in the county and paid property taxes in good standing for at least 25 years, the homeowner is eligible to apply for the proposed tax credit."

Thank you putting forth this proposed bill , as well as for this opportunity to provide testimony in support of a revised and justifiably more favorable version of this legislation.

Bill 45-23 does not solve the defects of present law as it applies to elderly senior citizens who are not retired or disabled military veterans. Currently, Montgomery County provides for real property tax credits to residential as taxpayers 70 years of age or older who have paid property taxes for 40 years or more, provided their owner-occupied residential property is assessed at no more than $700,000. There is no credit for anyone where their current year assessment is even one Cent ($0.01) over $700,000. I am sure that present law does not benefit many Montgomery County residents in District One, and the proposed expansion to 65 year olds who have been taxpayers for only 25 years or more will not help that much more.

The proposed amendment should allow the credit to be received by any residential taxpayer **up to** a $700,000 (or $899,000) assessment and there should not be such a low income ceiling to enjoy the credit. I would suggest a substantially larger ceiling lest this legislation be deemed a welfare or income redistribution benefit, not the just reward for faithful senior citizens whether age 65 or 70 and above. Thank you.

Submitted by Frederick H. Graefe and Michael McGovern

WRITTEN TESTIMONY FOR MONTGOMERY COUNTY COUNCIL MEETING
TUESDAY, JANUARY 23, 2024, 1:30 – 2:30PM

Re: Bill 45-23, Property Tax Credit - Individuals 65 and Above,
Retired Military Service Members, and Disabled Military Service Members

Dear Councilmembers,

Thank you for the opportunity to share my thoughts on the 45-23 Bill. This is a very welcome development for the vulnerable senior citizen community living on fixed incomes, which is being crushed by high food and medicine inflation coupled with rapidly growing home maintenance costs. The recent hike in property taxes in Montgomery County was a final blow and quickly became a 2024 election issue.

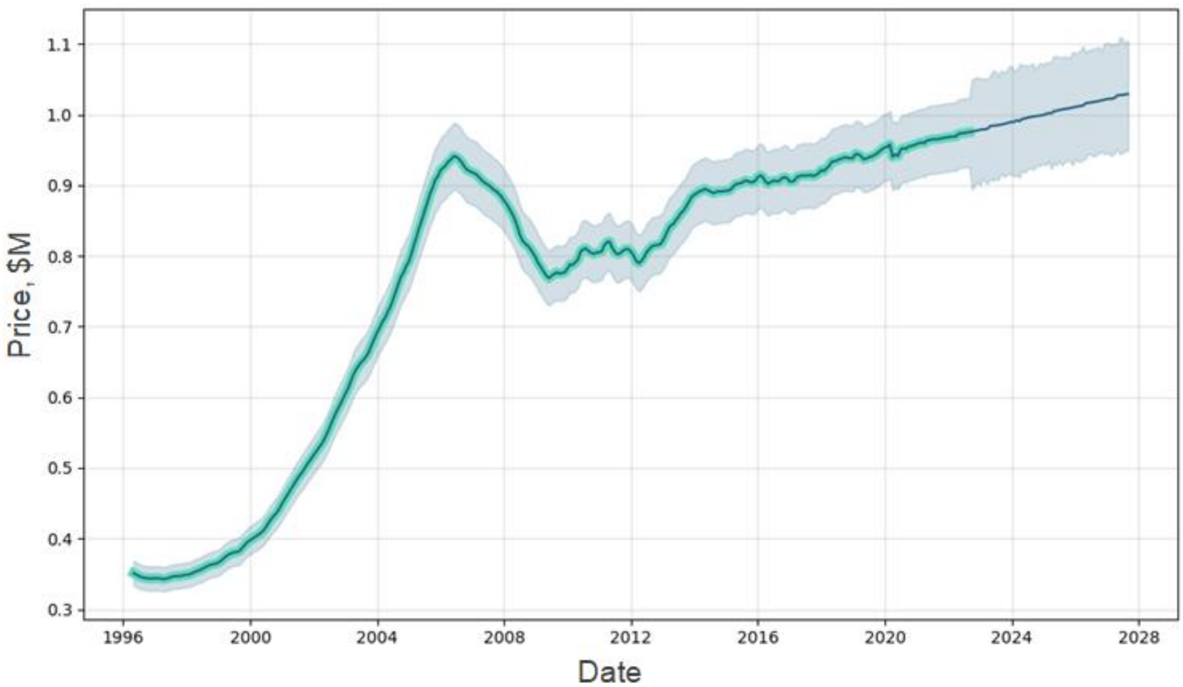
Unfortunately, the existing property tax credit program for seniors is very selective and elite. Very few seniors are eligible for this program given the 40-year home ownership criteria, which is truly unique among neighboring counties. According to the presented OLO study, only one neighboring county has a 30-year home ownership requirement, with the rest having 10 years or less. Strangely enough, the current program actually favors seniors with a lot of equity in their houses and excludes the most equity-disadvantaged homeowners who bought their houses during the 2005-2008 housing bubble peak (see Figure). The OLO study did not address or even discuss this disadvantage.

The proposed 30-year home ownership criteria would not fix this problem, since the cut-off date will be in the mid-1990s, well before the housing bubble peak. A suggestion can be made to democratize the property tax credit for seniors by reducing the home ownership qualification to 10-15 years. Given financial constraints, the tax credit can be applied as a two-tier system (10% credit for 15 years and 20% for 30 years of ownership) or just simply 10% for all above the 15-year ownership threshold.

But the simplest solution would be to **exempt senior citizens in Montgomery County from property tax hikes**. In my view, this would be the best, fair, equitable, and democratic approach.

Cordially,

Andrei Gakh
[redacted]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Al Carr's Testimony on 45-23 Property Tax Credit - Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members. January 23, 2024

Good afternoon Mr. President, madame vice President,
and members of the Council.

Thank you for the opportunity to testify on Bill 45-23.

I appreciate the intent -
to provide relief on the cost of housing for seniors.
But in light of the Racial Equity and Social Justice analysis for the bill, I am suggesting a different approach.

Montgomery County should instead increase the local supplement to the state homeowners property tax credit and renters tax credit.

I was in the General Assembly in 2016 when we passed the enabling legislation for the Property Tax Credit for 65 and above -
as a favor to a freshman legislator from Baltimore County. To my surprise it was quickly implemented in Montgomery County,
but until recently, nowhere else. So we are an outlier. Perhaps the reason why most counties haven't embraced it - is because it benefits many people who <u>don't</u> need help - and it excludes many seniors who <u>do</u> need help.

By requiring that seniors must have resided in their home
for a set number of years, we exclude seniors who've lived in their home for a lesser number of years, regardless of need.

By cutting off assistance at a threshold assessed value,
we exclude seniors whose property is reassessed to fall above the threshold, regardless of need.

By setting an age threshold, we exclude younger seniors, regardless of need.

And we also exclude senior renters, some of whom lost ownership of their homes due to medical debt, loss of a job, or another hardship

The alternative - Increasing the county's supplement to the state homeowners and renters tax credits is a more equitable approach.

The homeowners tax credit - benefits every qualified senior who applies - regardless of age, how many years they have owned their home and regardless of its assessed value. Montgomery County has supplemented this credit for many years, but we could increase the supplement, expand eligibility and improve promotion. The state gives local governments great flexibility in setting qualifications, as evidenced in the City of Rockville.

And the renters tax credit - benefits seniors - who are low and moderate income tenants. Starting in 2015, the county has supplemented the renters tax credit at the 50% level. But the match could be increased - and the credit could be better marketed.

Besides greater equity for needy seniors, another benefit of the approach I'm suggesting - is that the state credits and their local supplements are fully administered by SDAT with no burden on county staff.

Thank you.

Article - Tax - Property

§9–258.

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

(2) “Dwelling” has the meaning stated in § 9–105 of this title.

(3) “Eligible individual” means:

(i) an individual who is at least 65 years old;

(ii) an individual who is at least 65 years old and is a retired member of the uniformed services of the United States as defined in 10 U.S.C. § 101, the military reserves, or the National Guard;

(iii) a surviving spouse, who is at least 65 years old and has not remarried, of a retired member of the uniformed services of the United States as defined in 10 U.S.C. § 101, the military reserves, or the National Guard;

(iv) an individual who:

1. is an active duty, retired, or honorably discharged member of the uniformed services of the United States as defined in 10 U.S.C. § 101, the military reserves, or the National Guard; and

2. has a service–connected disability as defined in a local law enacted under this section; or

(v) a surviving spouse of an individual described under item (iv) of this paragraph who has not remarried.

(b) The Mayor and City Council of Baltimore City or the governing body of a county or municipal corporation may grant, by law, a property tax credit under this section against the county or municipal corporation property tax imposed on the dwelling of an eligible individual.

(c) The Mayor and City Council of Baltimore City or the governing body of a county or municipal corporation may provide, by law, for:

(1) the amount and duration of the property tax credit under this section;

(2) the maximum assessed value of a dwelling that is eligible for the tax credit under this section;

(3) the minimum number of years, not to exceed 40 years, that an eligible individual not described under subsection (a)(3)(ii), (iii), or (iv) of this section must have resided in the same dwelling;

(4) criteria that define a service–connected disability of an eligible individual described under subsection (a)(3)(iv) of this section;

(5) additional eligibility criteria for the tax credit under this section;

(6) regulations and procedures for the application and uniform processing of requests for the tax credit; and

(7) any other provision necessary to carry out the tax credit under this section.

Statutes Text

Article - Tax - Property

Previous Next

§9–265.

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

(2) “Disabled veteran” means an individual who:

(i) is honorably discharged or released under honorable circumstances from active military, naval, or air service as defined in 38 U.S.C. § 101; and

(ii) has been declared by the Veterans Administration to have a permanent service–connected disability of at least 50% that results from blindness or any other disabling cause that:

1. is reasonably certain to continue for the life of the veteran; and

2. was not caused or incurred by misconduct of the veteran.

(3) “Dwelling house”:

(i) means real property that is:

1. the legal residence of a disabled veteran; and

2. occupied by not more than two families; and

(ii) includes the lot or curtilage and structures necessary to use the real property as a residence.

(b) The Mayor and City Council of Baltimore City or the governing body of a county or municipal corporation may grant, by law, a property tax credit under this section against the county or municipal corporation property tax imposed on a dwelling house if:

(1) the dwelling house is owned by a disabled veteran;

(2) the disabled veteran’s federal adjusted gross income for the immediately preceding taxable year does not exceed $100,000; and

(3) the application requirements of subsection (d) of this section are met.

(c) The property tax credit granted under this section shall equal:

(1) 50% of the county or municipal corporation property tax imposed on the dwelling house if the disabled veteran’s service–connected disability rating is at least 75% but not more than 99%; or

(2) 25% of the county or municipal corporation property tax imposed on the dwelling house if the disabled veteran’s service–connected disability rating is at least 50% but not more than 74%.

(d) (1) A disabled veteran shall apply for the property tax credit under this section by providing to the county or municipal corporation:

(i) a copy of the disabled veteran’s discharge certificate from active military, naval, or air service; and

(ii) on the form provided by the county or municipal corporation, a certification of the disabled veteran’s disability from the Veterans Administration.

(2) The disabled veteran’s certificate of disability may not be inspected by individuals other than:

(i) the disabled veteran; or

(ii) appropriate employees of the county or municipal corporation.

(e) The Mayor and City Council of Baltimore City or the governing body of a county or municipal corporation may, by law, continue to provide the property tax credit under this section to the surviving spouse of the disabled veteran.

(f) The Mayor and City Council of Baltimore City or the governing body of a county or municipal corporation may provide, by law, for:

(1) the duration of the tax credit;

(2) regulations and procedures for the application and uniform processing of requests for the tax credit;

(3) the definition of surviving spouse and the amount and duration of the tax credit for the surviving spouse; and

(4) any other provision necessary to carry out the tax credit under this section.

Previous Next

45-23, Property Tax Credit – Individuals 65 and Above, Retired Military Service Members, and Disabled Military Service Members

Councilmember Katz Amendments

Amendment #1 – This amendment would: (1) remove the home value thresholds, but allow the credit to apply only to the first $700,000 of the home's assessed value; (2) eliminate income eligibility requirements; and (3) generally increase the amount of the credit to 25 percent of the home's assessed value.

Amend lines 18-23 to read as follows.

Qualifying amount means**[[**:

(1) for the 2023 tax year, $899,900;**]]** $700,000

[[(2) for each subsequent tax year, the qualifying amount of the prior tax year, increased by the lesser of:

(A) 5 percent; or

(B) the CPI**]]**.

Amend lines 29-44 to read as follows.

(c) *Eligibility.* An individual is eligible to receive a property tax credit if:

(1) (A) the individual is at least 65 years old;

* * *

[[(C) the dwelling for which a property tax credit is sought has a maximum assessed value of**]]** **[**$700,000**]** **[[**the qualifying amount at the time the individual first applied for the credit;**]]**

(2) (A) the individual is at least 65 years old;

* * *

[[(C) the dwelling for which a property tax credit is sought has a maximum assessed value of**]]** **[**$550,000**]** **[[**the qualifying amount at the time the individual first applied for the credit;]] [or]

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Amend lines 61-73 to read as follows.

(d) *Amount and duration of credit.*

(1) [[The]] Unless the assessed value of the dwelling exceeds the qualifying amount, the credit allowed under this Section is[[:

(A) if the annual income of the applicant is equal to or less than $90,000,]] [20%] [[20 percent]] 25 percent of the County property tax imposed on the dwelling[[;

(B) if the annual income of the applicant is equal to or less than $75,000, 35 percent of the County property tax imposed on the dwelling; and

(C) if the annual income of the applicant is equal to or less than $50,000, 50 percent of the County property tax imposed on the dwelling]].

(2) If the assessed value of the dwelling exceeds the qualifying amount, the credit must apply only the portion of the tax attributable to the qualifying amount.

[[(2)]] (3) The credit must be granted each year for [[7 years]] 10 years if the individual remains eligible for the credit.

Amendment #2 – This amendment would establish 30 years as the number of years the applicant is required to live in the same dwelling.

Amend lines 29-32 to read as follows.

(c) *Eligibility.* An individual is eligible to receive a property tax credit if:

(1) (A) the individual is at least 65 years old;

(B) the individual has lived in the same dwelling for at least the preceding **[**40 years**]** **[[**25 years**]]** 30 years; and

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