



Committee: GO
Committee Review: At a future date
Staff: Christine Wellons, Chief Legislative Attorney
Purpose: To introduce agenda item – no vote expected

AGENDA ITEM #6A
February 11, 2025
Introduction

SUBJECTS

Bill 3-25, Homeowners' Property Tax Credit – County Supplement – Amendments

- Lead Sponsor: Government Operations & Fiscal Policy Committee
(Council President Stewart and Councilmembers Friedson and Katz)

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

DESCRIPTION/ISSUE

Bill 3-25 would:

- (1) alter eligibility requirements to receive the County's supplement to the Homeowners' Tax Credit;
- (2) alter the amounts of the County's supplement to the Homeowners' Tax Credit; and
- (3) generally amend tax credits available to County residents.

SUMMARY OF KEY DISCUSSION POINTS

- N/A

This report contains:

Staff Report
Bill 3-25

Pages 1-2
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MEMORANDUM

February 6, 2025

TO: County Council

FROM: Christine Wellons, Chief Legislative Attorney

SUBJECT: Bill 3-25, Homeowners' Property Tax Credit – County Supplement - Amendments

PURPOSE: Introduction – no Council votes required

Bill 3-25, Homeowners' Property Tax Credit – County Supplement - Amendments, is scheduled for introduction on February 11, 2025. The Lead Sponsor is the Government Operations and Fiscal Policy Committee (Council President Stewart and Councilmembers Friedson and Katz). A public hearing on the bill is tentatively scheduled for March 4, 2025 at 1:30 p.m.

Bill 3-25 would:

- (1) alter eligibility requirements to receive the County's supplement to the Homeowners' Tax Credit;
- (2) alter the amounts of the County's supplement to the Homeowners' Tax Credit; and
- (3) generally amend tax credits available to County residents.

BACKGROUND

The State of Maryland provides a Homeowners' Tax Credit (HOTC) to certain eligible homeowners. The state HOTC is available to real property owners on their principal residences when the owner has a combined income of less than \$60,000 and a net worth of less than \$200,000. The calculation of net worth excludes:

- the dwelling for which a property tax credit is sought;
- the cash value of the life insurance policies on the life of the homeowner;
- the cash value of any qualified retirement savings plans or individual retirement accounts; or
- tangible personal property.

The state HOTC applies to \$300,000 of a home's assessed value, and the amount of the credit varies based upon the income level of the homeowner.

The state authorizes counties to “grant, by law, a local supplement to the Homeowners Property Tax Credit Program[.]” Md. Code Ann., Tax-Property Article, § 9-215. Pursuant to this authority, the County provides a supplement (County Supplement) to the state HOTC under Section 52-85 of the Montgomery County Code. Currently, the County Supplement is available based upon the same criteria as the state HOTC (*i.e.*, it is available to homeowners whose combined income does not exceed \$60,000 and whose net worth does not exceed \$200,000). The County Supplement may be applied to \$300,000 of the home’s assessed value.

According to state law (Tax-Property, § 9-215), the County may vary the income and net worth criteria. In addition, the County may vary the amount of the County Supplement, the amount of assessed value that the credit may apply to, and the calculation of the credit on a sliding scale based upon the homeowner’s income level. *Id.*

BILL SPECIFICS

As permitted under state law, Bill 3-25 would alter the criteria to qualify for the County Supplement, the amount of the supplement based upon homeowners’ income levels, and the cap on assessed value to which the credit applies.

Specifically, the bill would increase the combined income eligibility level from \$60,000 to \$75,000, and it would increase the net worth criteria from \$200,000 to \$250,000. As stated in the Background section, “net worth” does not include the value of the property subject to the credit, life insurance policies, retirement accounts, or tangible personal property.

The bill also would increase from \$300,000 to \$375,000 the assessed value upon which the credit could apply. In terms of the amount of the credit, the amounts would continue to vary based upon the homeowner’s income level, but the amounts would be increased as follows.

Allowable Percentage of Gross Income	Existing	Bill
0%	\$20,000	\$25,000
2%	\$26,000	\$32,500
5%	\$33,000	\$42,500
6.5%	\$41,500	\$52,500
8%	> \$41,500	> \$52,500

All of the dollar amounts specified under the bill would be increased annually based upon the Consumer Price Index.

This packet contains:
Bill 3-25

Circle #
1

Bill No. 3-25
Concerning: Homeowners' Property Tax
Credit – County Supplement –
Amendments
Revised: 1/28/2025 Draft No. 1
Introduced: February 11, 2025
Expires: December 7, 2026
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: _____
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Government Operations and Fiscal Policy Committee

AN ACT to:

- (1) alter eligibility requirements to receive the County's supplement to the Homeowners' Tax Credit;
- (2) alter the amounts of the County's supplement to the Homeowners' Tax Credit; and
- (3) generally amend tax credits available to County residents.

By amending

Montgomery County Code
Chapter 52, Taxation
Section 52-85

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

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

Sec. 1. Section 52-85 is amended as follows:

52-85. Homeowners property tax credit.

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

(1) The following words have the meanings defined in Section 9-104 of the Tax- Property Article of the Maryland Code:

(A) combined income;

(B) dwelling;

(C) gross income;

(D) homeowner;

(E) home purchaser; and

(F) legal interest.

(2) *Assessed value* means the adjusted value to which the property tax rate is applied.

(3) *Consumer Price Index* 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, or a successor index.

[(3)] (4) *Director* means the Director of the Department of Finance or the Director’s designee.

[(4)] (5) *Final tax liability* means the tax liability for any property tax on the real property of a dwelling less any property tax credit provided under Section 9-104 and any supplemental property tax credit provided under this section.

[(5)] (6) *Section 9-104* means Section 9-104 of the Tax-Property Article of the Maryland Code or any successor provision.

28 ~~[(6)]~~ (7) *Total real property tax* means the product of the sum of all
 29 property tax rates on real property, including special service area
 30 rates, but not including State and municipal district rates, for the
 31 taxable year on a dwelling, multiplied by the lesser of:

- 32 (A) ~~[\$300,000]~~ \$375,000; or
- 33 (B) the assessed value of the dwelling reduced by the amount
 34 of any assessment on which a property tax credit is granted
 35 under Section 9-105; and reduced by and any “save
 36 harmless” credit mandated under Section 9-101 of the
 37 Tax-Property Article of the Maryland Code.

38 (b) *General.*

39 (1) The Director must provide to homeowners a County property tax
 40 credit to supplement the State property tax credit granted under
 41 Section 9-104.

42 (2) Except as otherwise expressly stated in this section or an
 43 executive regulation, all eligibility requirements, statutory
 44 definitions, restrictions, and application or other procedures
 45 which apply to the credit granted under Section 9-104 also apply
 46 to the County supplemental property tax credit.

47 (3) *Eligibility. A property tax credit under this Section must not be*
 48 *granted to a homeowner:*

- 49 (A) *whose combined net worth exceeds \$250,000 as of*
 50 *December 31 of the calendar year that precedes the year in*
 51 *which the homeowner applies for the property tax credit; or*
- 52 (B) *whose combined gross income exceeds \$75,000 in that*
 53 *same calendar year.*

54 (c) *Amount.*

- 55 (1) The County supplemental property tax credit is the total real
 56 property tax on a dwelling, less:
 57 (A) the percentage of the combined gross income of the
 58 homeowner calculated under paragraph (2), and
 59 (B) the property tax credit granted under Section 9-104.
- 60 (2) The allowable percentage of combined gross income is:
 61 (A) 0[%] percent of the first [\$20,000] \$25,000;
 62 (B) 2[%] percent of the next [\$6,000] \$7,500;
 63 (C) 5[%] percent of the next [\$7,000] \$10,000;
 64 (D) 6.5[%] percent of the next [\$8,500] \$10,000; and
 65 (E) 8[%] percent of any combined gross income over
 66 [\$41,500] \$52,500.
- 67 (3) The property tax credit for home purchasers is the amount of the
 68 credit as calculated under paragraph (1) multiplied by a fraction
 69 where the numerator of the fraction is the number of days in the
 70 taxable year that the home purchaser actually occupies or expects
 71 to actually occupy a dwelling in which the home purchaser has a
 72 legal interest, and the denominator is 365 days.
- 73 (d) Adjustments to amounts.
- 74 (1) Adjustments by Council resolution. The Council annually, by
 75 resolution adopted not later than June 1, may vary either or both:
 76 [(1)] (A) the specific dollar amount referred to in subsection
 77 [(a)(6)] (a)(7); or
 78 [(2)] (B) the allowable percentage of combined gross income
 79 under subsection (c)(2).
- 80 (2) Consumer price index adjustments.

81 (A) Effective July 1, 2026 and July 1 of each subsequent year,
 82 the Chief Administrative Officer must adjust each specific
 83 dollar amount under subsections (a)(7), (b)(3), and (c)(2).

84 (B) The Chief Administrative Officer must calculate each
 85 adjusted amount to the nearest multiple of \$10.

86 (C) The adjusted amount must be equal to the current amount
 87 multiplied by the outcome of the most recent published
 88 Consumer Price Index at the time of the adjustment divided
 89 by the annual value of the Consumer Price Index from the
 90 year prior to the current year.

91 (D) The Chief Administrative Officer must, by March 1 of the
 92 year preceding an adjustment, publish the adjusted
 93 amounts:

94 (i) in the County Register; and

95 (ii) on the County website.

96 (e) *Administration.* Administrative duties are performed by the Director,
 97 and by the State Department of Assessments and Taxation as provided
 98 in Section 9-104 and Section 9- 215 of the Tax-Property Article of the
 99 Maryland Code. If a credit is granted under this section, a revised tax
 100 bill or a tax voucher may be used to adjust the final tax liability.

101 (f) *Regulations.* The County Executive may adopt regulations under
 102 Method (2) to administer this section.

103 (g) *Penalties for false and fraudulent information.* A person who
 104 knowingly submits a false or fraudulent application, or withholds
 105 information, to obtain a tax credit under this section has committed a
 106 Class A violation. In addition, the person must repay the County for all
 107 amounts credited and all accrued interest and penalties that would apply

108 to those amounts as overdue taxes. The County may enforce this
109 subsection by appropriate legal action. A person who violates this
110 subsection is liable for all court costs and expenses of the County in any
111 civil action brought by the County against the violator.

112 (h) *Annual report.* The Executive must submit an annual report to the
113 County Council by March 15 of each year describing program
114 participation in the current tax year by income of taxpayers, number
115 and dollar value of tax credits granted under this section, administrative
116 costs, and other relevant information. This report may be contained in
117 the Executive's recommended operating budget for the next fiscal year.