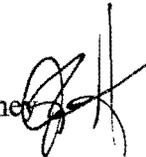


**MEMORANDUM**

June 5, 2015

TO: County Council

FROM: Josh Hamlin, Legislative Attorney 

SUBJECT: **Public Hearing:** Bill 21-15, Finance – Renters’ Property Tax Relief Supplement

Bill 21-15, Finance – Renters’ Property Tax Relief Supplement, sponsored by Lead Sponsor Councilmember Elrich was introduced on May 5, 2015. A Government Operations and Fiscal Policy Committee worksession is tentatively scheduled for July 16 at 10:15 a.m.

Bill 21-15 would require the Director of Finance to pay a Renters’ Property Tax Relief Supplement to certain residents who qualify for a payment from the State under the State “Renters’ Tax Credit Program” (see ©4-8). The State payment to renters is modeled after the Homeowners’ Tax Credit (commonly referred to as the “Circuit Breaker”), and is based on the premise that a portion of rent paid by renters is attributable to property tax paid by the owner of the property. The purpose of the State payment is to return some of that money to renters in the same way it is returned to homeowners through the Circuit Breaker payment.

Bill 21-15 would create a supplemental payment similar in character to the County supplement to the Circuit Breaker payment under Section 52-11A of the County Code. Eligibility for the County supplement would be tied to eligibility for the State payment. The County supplement under the Bill would be 50% of the State payment, which is capped at \$750.

This packet contains:	<u>Circle #</u>
Bill 21-15	1
Legislative Request Report	3
State Program Information	4

Bill No. 21-15  
Concerning: Finance – Renters'  
Property Tax Relief Supplement  
Revised: 1/12/2015 Draft No. 1  
Introduced: May 5, 2015  
Expires: November 5, 2016  
Enacted: \_\_\_\_\_  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: None  
Ch. \_\_\_\_\_, Laws of Mont. Co. \_\_\_\_\_

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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Lead Sponsor: Councilmember Elrich

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**AN ACT** to:

- (1) require the Director of Finance to pay a Renters' Property Tax Relief Supplement to certain residents who qualify for a certain payment under State law; and
- (2) generally amend the law governing the Renters' Property Tax Relief Supplement.

By adding

Montgomery County Code  
Chapter 20, Finance  
Article XV, Renters' Property Tax Relief Supplement  
Section 20-82

<b>Boldface</b>	<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:*

1           **Sec. 1. Article XV (Section 20-82) is added to Chapter 20 as follows:**

2                   **ARTICLE XV. Renters' Property Tax Relief Supplement.**

3   **20-82.        Renters' Property Tax Relief Supplement.**

4           (a)   The Director of Finance must pay a Renters' Property Tax Relief  
5               Supplement to each resident who qualifies to receive a payment under  
6               the State property tax relief program for renters established under  
7               Section 9-102 of the Tax-Property Article of the Maryland Code.

8           (b)   For each taxable year, the Supplement to each eligible resident under  
9               this Section equals 50% of the State payment to the resident.

10          (c)   The Director may require each eligible resident to submit an  
11               application for the Supplement, and may take any other action  
12               necessary to administer the Supplement.

13          (d)   The County Executive may issue regulations under method (2) to  
14               administer this Supplement.

15   *Approved:*

16   \_\_\_\_\_  
George Leventhal, President, County Council

\_\_\_\_\_  
Date

17   *Approved:*

18   \_\_\_\_\_  
Isiah Leggett, County Executive

\_\_\_\_\_  
Date

19   *This is a correct copy of Council action.*

20   \_\_\_\_\_  
Linda M. Lauer, Clerk of the Council

\_\_\_\_\_  
Date

## LEGISLATIVE REQUEST REPORT

Bill 21-15

*Finance – Renters' Property Tax Relief Supplement*

**DESCRIPTION:** Bill 21-15 would require the Director of Finance to pay a Renters' Property Tax Relief Supplement to certain residents who qualify for a payment from the State under the State "Renters' Tax Credit Program." The County supplement would be 50% of the State payment, which is capped at \$750.

**PROBLEM:** Renters indirectly pay the property tax on their residences through their rent payments. There is a State program, similar to the State Homeowners' Property Tax Credit, which returns some of this money to renters. Unlike homeowners, there is no County supplement.

**GOALS AND OBJECTIVES:** Treat renters more equitably by supplementing the State payment approximating the amount of property tax they pay indirectly through rent, similar to what is done with the County supplement to the State Homeowners' Property Tax Credit

**COORDINATION:** Department of Finance

**FISCAL IMPACT:** To be requested.

**ECONOMIC IMPACT:** To be requested.

**EVALUATION:** To be requested.

**EXPERIENCE ELSEWHERE:** To be researched.

**SOURCE OF INFORMATION:** Josh Hamlin, 240-777-7892

**APPLICATION WITHIN MUNICIPALITIES:** To be researched.

**PENALTIES:** n/a

**MENU**Phone Directory State Agencies

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## Renters' Tax Credits

The Renters' Tax Credit Program provides property tax credits for renters who meet certain requirements. The plan was modeled after and designed to be similar in principle to the Homeowners' Tax Credit Program, which is known to many as the Circuit Breaker Program. The concept rests on the reasoning that renters indirectly pay property taxes as part of their rent and thus should have some protection, as do homeowners.

The plan is based upon the relationship between rent and income. If the portion of rent attributable to the assumed property taxes exceeds a fixed amount in relation to income, the renter can, under specified conditions, receive a credit of as much as \$750. The credit is paid as a direct check from the State of Maryland.

### **HOW A RENTED DWELLING IS DEFINED**

The rented dwelling may be an apartment in an individual house or any type of apartment building, duplex, co-op, condominium, house trailer, or mobile home pad. The dwelling must be the principal residence in Maryland and the renter must live there at least six months of the year. You are only eligible to receive a tax credit for rent paid in the State of Maryland.

The applicant must have a bona fide leasehold interest in the property and be legally responsible for the rent. If the dwelling that is rented is owned by a tax exempt, charitable organization or is exempt in any way from property taxation, a tax credit cannot be granted.

### **HOW TO DETERMINE IF YOU MAY BE ELIGIBLE**

**COMBINED INCOMES:** Credits are calculated according to total income, meaning all combined gross household income before deductions. This includes income from all sources, whether or not taxable for federal and state income tax purposes. It also includes Social Security as well as all other retirement benefits.

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**AGE 60 OR OVER OR 100% DISABLED**

If you are age 60 or over or 100% disabled, use the chart below to determine if it is worthwhile for you to file an application.

Note: A surviving spouse of one who otherwise would have been eligible also qualifies.

**CHART 1**

1. Find your approximate 2014 total gross household income in Column A.
2. If your monthly rent is *more* than the figure in Column B across from your income, you *may* be eligible and are encouraged to apply.

Column A Total Income	Column B Monthly Rent
\$1 - 5,000	14
6,000	28
7,000	42
8,000	56
9,000	86
10,000	117
11,000	147
12,000	178
13,000	219
14,000	261
15,000	303
20,000	544
25,000	794
30,000	1,044

The rent in Chart 1 assumes that you pay all your own utilities separate from the monthly rent. If the rent includes gas, electric and heat, you may need to have as much as 18% higher monthly rent to qualify for a credit.

Trailer park residents are advised to submit an application and allow this office to determine eligibility.

Chart 1 is a guide only, and the exact amount of your income and rent will be used to determine your eligibility. If you submit an application, the State will determine your eligibility.

**UNDER 60 YEARS OF AGE**

If you are a renter under the age of 60 who, during 2014, had at least one dependent under the age of 18 living with you **AND** you did not receive federal or state housing subsidies or reside in public housing **AND** the combined income of all residents of your dwelling is below the following guidelines, you are encouraged to apply.

**CHART 2**

Persons in Household (Include Applicant)	2014 Gross Income Limit
2	\$16,057
3	18,552
4	23,834
5	28,265
6	31,925
7	36,384
8	40,484
9	48,065

Note: If you think you qualify based on the income limits on the above chart, you are encouraged to apply. The State will determine your eligibility using the above chart and the formula that compares rent and income (See Chart 1).

**WHEN AND HOW TO APPLY**

Renters have until **September 1** of the year in which the credit is sought to apply, but it is advantageous to file as early as possible.

The standard form on which to apply is provided by the Tax Credits Office of the State Department of Assessments and Taxation.

Applications can be obtained any time after February 1 from your local assessment office or by calling the Tax Credits Telephone Service at 410-767-4433 (Baltimore Area) or 1-800-944-7403 (Toll Free).

Use this link to download and print a PDF copy of the Renters Tax Credit Application

**HOW TO ESTIMATE THE TAX CREDIT**

The property tax relief a renter may receive is based upon a comparison of the assumed real property tax in the yearly rent minus a percentage of the household income as shown here:

- 0% of the first \$4,000 of income
- 2.5% of the next \$4,000 of income
- 5.5% of the next \$4,000 of income
- 7.5% of the next \$4,000 of income
- 9.0% of all in excess of \$16,000

Estimating your own tax credit can be done by taking these three steps. Remember, the key to the plan is your rent in relationship to your income.

The plan assumes that 15% of your occupancy rent goes toward the payment of property taxes.

Occupancy rent does not include charges for heat, utilities, or any other fees paid with the rent.

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**Step 1:**

Find your 2014 income and tax limit from the chart in the next column.

Example: If your income is \$11,000, your tax limit is \$265.

**Step 2:**

Take 15% of the total occupancy rent for the year 2014.

Example: A monthly rental of \$300 would amount to \$3,600 a year. Fifteen percent of \$3,600 is \$540.

**Step 3:**

Subtract your tax limit amount from the assumed property tax.

Example:

\$540 15% of occupancy rent  
~~-\$265~~ tax limit from chart  
 \$275 amount of tax credit

The \$275 difference is the amount the renter would receive as a tax credit.

The amount of the renters' tax credit will vary according to the relationship between the rent and income, with the maximum allowable credit being \$750. Those found eligible for a credit as determined by the State Department of Assessments and Taxation will receive a check directly from the State Treasury. Anyone who is found ineligible will be notified in writing and given the reason why.

**IMPORTANT:** If 15% of your occupancy rent is more than the tax limit amount shown on the schedule below for your income, you are urged to file a Renters' Tax Credit application.

2014 Combined Income	Tax Limit
\$ 0 to 4,000	\$ 0
5,000	25
6,000	50
7,000	75
8,000	100
9,000	155
10,000	210
11,000	265
12,000	320
13,000	395
14,000	470
15,000	545
16,000	620
17,000	710
18,000	800
19,000	890

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20,000	980
For each additional \$1,000 of income, add \$90 to \$980 to find the tax limit.	

**Applications should be mailed to:**

State Department of Assessments & Taxation  
Renters' Tax Credit Program  
301 W. Preston Street, Room 900  
Baltimore, Maryland 21201-2395

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