

# 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.

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### **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.<sup>1</sup> 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.<sup>2</sup>

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### **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.<sup>3</sup> Through the program, the County reduces total annual housing costs for certain senior residents and may help some of them “age in place.”<sup>4</sup> The property tax credit program also reduces tax revenue available to support other policy goals.<sup>5</sup>

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:”<sup>6</sup>

- 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.”<sup>7</sup> If enacted, Bill 45-23 would make the following changes to the Property Tax Credit for Elderly Individuals and Military Retirees Program:<sup>8</sup>

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- 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.<sup>9</sup> Please refer to this RESJIS for background on homeownership, senior and veteran constituents, and racial equity.

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### 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.<sup>10</sup> 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,<sup>11</sup> 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.

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**Table 1. Property Tax Credit Recipients, County Population, and County Population 65 and Older by Race and Ethnicity<sup>12</sup>**

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,<sup>13,14</sup> Black, Latinx, and Native American community members are more likely to have lower incomes.<sup>15</sup> 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,<sup>16</sup> 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.<sup>17</sup> 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.<sup>18</sup> 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.

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### 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.

### 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
<i>Eligibility Group/ Minimum Age</i>	(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
<i>Minimum Residency</i>	40 years for Elderly	up to County
<i>Limit on Assessed Value</i>	<ul style="list-style-type: none"><li>\$700,000 for Elderly</li><li>\$550,000 for Military Retirees</li></ul>	up to County
<i>Amount of Tax Relief</i>	20%	up to County
<i>Duration of Tax Relief</i>	7 years	up to County
<i>Application Frequency</i>	Once	up to County
<i>Additional Eligibility Criteria</i>		
<ul style="list-style-type: none"><li>Income Limit</li></ul>	none	up to County
<ul style="list-style-type: none"><li>Net Worth Limit</li></ul>	none	up to County

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

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<sup>1</sup> 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>

<sup>2</sup> Ibid.

<sup>3</sup> Blaise DeFazio and Stephen Roblin, [“Senior Property Tax Credits,”](#) Office of Legislative Oversight, July 25, 2023.

<sup>4</sup> 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.

<sup>5</sup> DeFazio and Roblin

<sup>6</sup> Ibid.

<sup>7</sup> [“Council President Friedson Introduces Legislation to Expand County Property Tax Credit for Older Adults,”](#) Montgomery County Council, December 12, 2023.

<sup>8</sup> [Introduction Staff Report for Bill 45-23](#), Montgomery County Council, Introduced December 12, 2023.

<sup>9</sup> [RESJIS for Expedited Bill 9-22](#), Office of Legislative Oversight, August 22, 2022.

<sup>10</sup> [RESJIS for Bill 1-23](#), Office of Legislative Oversight, January 27, 2023.

<sup>11</sup> 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.

<sup>12</sup> 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.

<sup>13</sup> Kilolo Kijakazi, et. al., [“The Color of Wealth in the Nation’s Capital,”](#) Urban Institute, November 1, 2016.

<sup>14</sup> [“Turning the Floodlights on the Root Causes of Today’s Racialized Economic Disparities,”](#) Federal Reserve Bank of Boston, 2020.

<sup>15</sup> [Table S1903: Median Income in the Past 12 Months](#), 2022 American Community Survey 5-Year Estimates, Census Bureau.

<sup>16</sup> Kijakazi, et. al.

<sup>17</sup> Bill 27-19, Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established, Montgomery County Council

<sup>18</sup> [“Meeting the Housing Needs of Older Adults in Montgomery County,”](#) Montgomery County Planning Department, May 2018.