

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

BILL 3-25: HOMEOWNERS' TAX CREDIT – COUNTY SUPPLEMENT – AMENDMENTS

SUMMARY

The Office of Legislative Oversight (OLO) anticipates Bill 3-25 could have a negative impact on racial equity and social justice (RESJ) in the County. White community members could disproportionately benefit from the expansion of the State's Homeowners' Tax Credit (HOTC) supplement given their high homeownership rates and overrepresentation among seniors who are most likely to benefit from the credit. Decreased property tax revenue from this Bill could also diminish public goods and services, which could particularly harm BIPOC community members. OLO offers one policy option for Council consideration.

PURPOSE OF RESJ IMPACT STATEMENTS

RESJ impact statements (RESJIS) evaluate the anticipated impact of legislation on racial equity and social justice in the County. RESJ is a **process** that focuses on centering the needs, leadership, and power of Black, Indigenous, and other people of color (BIPOC) and communities with low incomes. RESJ is also a **goal** of eliminating racial and social inequities. Applying a RESJ lens is important to achieve RESJ.¹ This involves seeing, thinking, and working differently to address the racial and social inequities that cause racial and social disparities.²

PURPOSE OF BILL 3-25

The County levies a real estate property tax on residential property owners. A property tax credit directly reduces the amount of tax owed by eligible homeowners. Taxpayers determine their final tax liability by subtracting applicable credits from their total tax obligation.³ Policymakers use property tax credits to provide financial relief to homeowners and incentivize certain behaviors. However, these credits also reduce overall tax revenue available for other public goods (i.e., commodities and services that benefit all members of the public).

The County offers various property tax credits for homeowners, including a local supplement to the HOTC.⁴ The state's HOTC is available to applicants with a total income under \$60,000 and a net worth below \$200,000.⁵ The credit applies to the first \$300,000 of assessed value and is structured progressively by providing larger credits to lower income households.⁶ For the County supplement, state law ([Tax-Property § 9-215](#)) allows the County to adjust the income and net worth criteria, the amount of the County supplement, the portion of assessed value eligible for the credit, and the credit calculation based on a sliding scale tied to the homeowner's income level.⁷

Bill 3-25 aims to expand eligibility for the County's supplement to the HOTC.⁸ If enacted, Bill 3-25 would:⁹

- Raise the combined income eligibility level from \$60,000 to \$75,000;
- Increase the net worth criteria from \$200,000 to \$250,000; and
- Expand the assessed value from \$300,000 to \$375,000.

Additionally, the Bill would maintain the progressive structure of the property tax credit, while increasing the credit amounts for each gross income threshold. All dollar amounts specified in the Bill would be adjusted annually by the

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Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Arlington-Alexandria Core Based Statistical Area.¹⁰

The Council introduced Bill 3-25, Homeowners' Tax Credit – County Supplement – Amendments, on February 11, 2025.

In June 2022, OLO published a RESJIS for Expedited Bill 9-22, Property Tax Credit – Elderly Individuals and Retired Military Services Members – Amendments.¹¹ Please refer to this RESJIS for background on homeownership, seniors and racial equity.

ANTICIPATED RESJ IMPACTS

Current HOTC supplement. To understand the RESJ impact of Bill 3-25, it is helpful to understand the primary beneficiaries of the County's current HOTC supplement. A lead sponsor of Bill 3-25 noted the HOTC "increases stability for [] residents, especially seniors on fixed incomes."¹² Seniors in the County particularly benefit from the HOTC supplement. Firstly, older adults in the County are more likely to be homeowners. While 65 percent of households in the County are owner-occupied, nearly 80 percent of households 65 and older are owner-occupied.¹³ Older adults are also more likely to have lower incomes. While the median income of homeowners in the County is \$168,323,¹⁴ the median income of community members 65 and older is \$57,108.¹⁵ Therefore, senior homeowners are more likely than most homeowners to qualify for the HOTC supplement.

Black and Latinx community members are generally less likely to be homeowners. Forty-four percent of Black and 49 percent of Latinx households are owner-occupied. Conversely, 75 percent of Asian and 74 percent of White households are owner-occupied.¹⁶ As shown in Table A (Appendix), Black and Latinx community members are also underrepresented among people 65 and older. Meanwhile, White community members are overrepresented among people 65 and older, while Asian, Native American, and Pacific Islander community members are proportionately represented. Therefore, White community members are likely overrepresented among the beneficiaries of the HOTC supplement.

Of note, to the extent that Black and Latinx seniors are homeowners, they are more likely to have incomes that qualify for the HOTC supplement. As shown in Table B (Appendix), the combined average social security and retirement incomes for Black and Latinx community members are each below \$60,000. Meanwhile, the combined average income from these sources for Asian community members is slightly above \$60,000, while the combined average income for White community members is more than \$30,000 above this threshold.

HOTC supplement with Bill 3-25. To consider the anticipated impact of Bill 3-25 on RESJ in the County, OLO recommends the consideration of two related questions:

- Who would primarily benefit or be burdened by this bill?
- What racial and social inequities could passage of this bill weaken or strengthen?

Several stakeholders could benefit from changes to the HOTC supplement proposed in Bill 3-25:

- **Community members who newly qualify for the HOTC supplement** will benefit from being able to access the property tax credit. Given the population of homeowners and seniors in the County, expanding the property tax credit to community members with higher levels of income and wealth will likely disproportionately benefit White community members.

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- **Community members currently receiving the HOTC supplement** will benefit from an increase to their property tax credit. BIPOC community members who are receiving the HOTC supplement could particularly benefit from an increased property tax credit because they have lower incomes. However, White community members are likely overrepresented among the current beneficiaries of the HOTC supplement. Therefore, in aggregate, White community members will likely receive the largest monetary benefit from the increase to the property tax credit.

Conversely, **County constituents at large** would be burdened by the decreased revenue resulting from the property tax credit. Property taxes are the largest source of tax revenue for the County government.¹⁷ The forgone revenue would undermine the County's ability to provide public goods and services. The resource limitations could particularly harm BIPOC community members, especially as they continue to become a larger part of the population.

Conclusion. OLO anticipates Bill 3-25 could have a negative impact on RESJ in the County. White community members could disproportionately benefit from the expansion of the HOTC supplement given their high homeownership rates and overrepresentation among seniors who are most likely to benefit from the credit. Decreased property tax revenue from this Bill could also diminish public goods and services, which could particularly harm BIPOC community members.

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.¹⁸ OLO anticipates Bill 3-25 will have a negative impact on RESJ in the County. Should the Council seek to improve the RESJ impact of this Bill, OLO offers one policy option for Council consideration:

- **Consider policy recommendations directed at lower income seniors in County's study of older adult housing needs.** In the 2018 Report, "Meeting the Housing Needs of Older Adults in Montgomery County," Montgomery Planning staff found there is a growing need for housing for older adults, including affordable housing for extremely low income and vulnerable seniors.¹⁹ The Council could consider policy recommendations outlined in the report, with a focus on those that address housing needs of lower income seniors who are more likely to be BIPOC. These include:
 - Creating set asides for older adults in the housing choice voucher program and rental assistance program;
 - Improving effectiveness of renter property tax exemptions;
 - Funding emergency assistance to older adults at risk of eviction and/or homelessness; and
 - Supporting naturally occurring retirement communities in the County, among others.

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.

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APPENDIX

Table A: Community Members 65 and Older by Race and Ethnicity, Montgomery County

Race and ethnicity	Community Members 65 and Older	County Population
Asian	15.9	15.2
Black	13.4	18.6
Native American	0.4	0.5
Pacific Islander	0.1	0.0
White	60.2	44.4
Latinx	9.9	20.6

Source: [Table S0103](#), 2023 American Community Survey 5-Year Estimates, Census Bureau.

Table B: Average Annual Social Security and Retirement Income by Race and Ethnicity, Montgomery County

Race and ethnicity ²⁰	Average Social Security Income	Average Retirement Income	Estimated Total Income
Asian	\$24,066	\$41,837	\$65,903
Black	\$20,028	\$36,434	\$56,462
White	\$30,589	\$65,229	\$95,818
Latinx	\$22,501	\$36,726	\$59,227
County	\$27,180	\$54,634	\$81,814

Source: [Table S0201](#), 2023 American Community Survey 1-Year Estimates, Census Bureau.

¹ Definition of racial equity and social justice adopted from Marlysa Gamblin et al., "[Applying Racial Equity to U.S. Federal Nutrition Programs](#)," Bread for the World and [Racial Equity Tools](#).

² Ibid.

³ "[Policy Basics: Tax Exemptions, Deductions, and Credits](#)," Center on Budget and Policy Priorities, November 24, 2020.

⁴ For a list of property tax credit programs, refer to "[Tax Expenditure Report: Property Tax Credits, Tax Deferral, and Tax Exemptions \(FY24\)](#)," Department of Finance, October 2024.

⁵ [Introduction Staff Report for Bill 3-25](#), Montgomery County Council, Introduced February 11, 2025.

⁶ "[Committee Introduces Bill to Increase Eligibility for Homeowners Property Tax Credit](#)," Montgomery County Council, February 11, 2025.

⁷ Introduction Staff Report for Bill 3-25.

⁸ "Committee Introduces Bill to Increase Eligibility for Homeowners Property Tax Credit."

⁹ Introduction Staff Report for Bill 3-25.

¹⁰ Ibid.

¹¹ [REJSIS for Expedited Bill 9-22](#), Office of Legislative Oversight, June 17, 2022.

¹² "Committee Introduces Bill to Increase Eligibility for Homeowners Property Tax Credit."

¹³ [Table S0103: Population 65 Years and Over in the United States](#), 2023 American Community Survey 5-Year Estimates, Census Bureau.

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¹⁴ [Table S2503: Financial Characteristics](#), 2023 American Community Survey 5-Year Estimates, Census Bureau.

¹⁵ [Table S1903: Median Income in the Past 12 Months](#), 2023 American Community Survey 5-Year Estimates, Census Bureau.

¹⁶ [Table S0201: Selected Population Profile in the United States](#), 2023 American Community Survey 1-Year Estimates, Census Bureau.

¹⁷ [FY25 Approved Taxes](#), Revenues, Montgomery County Operating Budget.

¹⁸ Bill 27-19, Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established, Montgomery County Council

¹⁹ [“Meeting the Housing Needs of Older Adults in Montgomery County,”](#) Montgomery County Planning Department, May 2018.

²⁰ Estimates for Native American and Pacific Islander community members are not available for all data points in this RESJIS.