



Committee: Directly to Council
Committee Review: N/A
Staff: Ludeen McCartney-Green, Legislative Attorney
Purpose: To receive testimony – no vote expected
Keywords: #elderlypropertytaxcredit #vetpropertytaxcredit

AGENDA ITEM #7
June 21, 2022
Public Hearing

SUBJECT

Expedited Bill 9-22, Property Tax Credit – Elderly Individuals and Retired Military Services Members – Amendments

Lead Sponsor: Council President Alborno at the Request of the County Executive

EXPECTED ATTENDEES

Members of the Public

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- Public Hearing – no vote expected

DESCRIPTION/ISSUE

- Expedited Bill 9-22 would:
 - (1) extend the duration of a property tax credit for elderly individuals and retired military services members from 5 years to 7 years; and
 - (2) generally, amend the law regarding property tax credits.

SUMMARY OF KEY DISCUSSION POINTS

- Whether to extend the duration for elderly and retired military service members to receive a property tax credit by two additional years?

This report contains:

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Expedited Bill 9-22	© 1
LRR	© 5
Fiscal Impact Statement	© 6
County Executive Memo	© 9
State Enabling Legislation – Senate Bill 901	© 14

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MEMORANDUM

June 16, 2022

TO: County Council

FROM: Ludeen McCartney-Green, Legislative Attorney

SUBJECT: Expedited Bill 9-22, Taxation – Property Tax Credit – Elderly Individuals and Retired Military Services Members - Amendments

PURPOSE: Public Hearing – no Council votes required

Expedited Bill 9-22, Taxation – Property Tax Credit – Elderly Individuals and Retired Military Services Members, sponsored by the Lead Sponsor Council President at the Request of the County Executive, was introduced on June 14, 2022. A full council vote is tentatively scheduled for June 28, 2022.

BACKGROUND

Maryland Property Tax § 9-258 provides enabling legislation for the County to establish a property tax credit for resident seniors and veterans. Through state enabling legislation, in 2017, the Council enacted Bill 46-16 (as later amended in Bill 13-17 and Bill 21-19) to create a property tax credit for elderly individuals and military retirees who meet certain eligibility requirements.

Specifically, Section 52-110 of the County Code, allows a 20% county property tax credit for up to 5 years on an eligible individual's home. An eligible individual is an individual that is: (1) at least 65 years old and has lived in the same dwelling for the preceding 40 years; or (2) is at least 65 years old and is a retired member (or surviving spouse) of the United States armed forces, military reserves, or national guard. In addition, an eligible individual may receive a property tax credit if the home for which they are seeking the credit is assessed at no more than \$650,000 (for elderly individuals), or \$500,000 (for retired services members).

County law requires an eligible individual if, applying for the first time, must submit an application to the Department of Finance by April 1 for the upcoming tax year. If the individual meets the requirements, as listed above, the senior or veteran resident would receive the 20% tax credit applied towards the County property taxes for up to 5 consecutive years.

During the 2022 session, the Maryland General Assembly passed Senate Bill 901, *Property Tax – Elderly Individuals and Veterans Tax Credit – Amount and Duration*, ©14. SB 901 repealed a provision under Md. Tax Property §9-258 that established the *maximum* amount of property tax credit and the period for which an individual is eligible to receive the credit.

[(c) The property tax credit allowed under this section may:

- (1) not exceed 20% of the county or municipal corporation property tax imposed on the property; and*
- (2) be granted for a period of up to 5 years.]*

SB 901 was signed by the Governor on May 12, 2022 and took effect on June 1, 2022. The repeal by the state legislature enables the County to alter the timeframe for which an eligible individual can receive the property tax credit.

BILL DESCRIPTION

Expedited Bill 9-22, as introduced, would extend the duration of the property tax credit for elderly individuals and retired military services members by an additional two years. Essentially, altering the maximum number of years an individual can receive the credit from 5 to 7, with an effective date of July 1, 2022, and applicable for tax bills after June 30, 2022. *See* County Executive Memorandum ©9.

This packet contains:

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State Enabling Legislation (Senate Bill 901)	14

Expedited Bill No. 9-22
Concerning: Property Tax Credit – Elderly
Individuals and Retired Military
Services Members - Amendments
Revised: 6/7/2022 Draft No. 1
Introduced: June 14, 2022
Expires: December 13, 2023
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: _____
Ch. [#], Laws of Mont. Co. [year]

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

AN EXPEDITED ACT to:

- (1) extend the duration of property tax credit for elderly individuals and retired military services members from 5 years to 7 years; and
- (2) generally amend the law regarding property tax credits.

By amending

Montgomery County Code
Chapter 52, Taxation
Section 52-110

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 52-110 is amended as follows:

52-110. Property tax credit -- elderly individuals and retired military services members.

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

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.

(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; and

(C) the dwelling for which a property tax credit is sought has a maximum assessed value of \$650,000 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 \$500,000 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.
- (d) *Amount and duration of credit.*
 - (1) The credit allowed under this Section is 20% of the County property tax imposed on the dwelling.
 - (2) The credit must be granted each year for [5] 7 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. Expedited Effective Date.

49 The Council declares that this legislation is necessary for the immediate
50 protection of the public interest. Section 52-110, as amended by Section 1 of this Act,
51 takes effect on July 1, 2022.

LEGISLATIVE REQUEST REPORT

BILL: XX-22E

Property Tax Credit – Elderly Individuals and Retired Military Service Members

DESCRIPTION:	This bill extends the period for which a property tax credit may be granted for elderly individuals and retired military services members from five years to seven years. It also generally amends the law regarding property tax credits.
PROBLEM:	The Maryland General Assembly enacted, and the Governor signed, SB901 repealing the five-year limit on property tax credits.
GOALS AND OBJECTIVES:	As permitted under SB901, extend the period a property credit may be granted to seven years.
COORDINATION:	The Office of the County Executive, Department of Finance
FISCAL IMPACT:	Office of Management Budget
ECONOMIC IMPACT:	Office of the Legislative Oversight
EVALUATION:	N/A
EXPERIENCE ELSEWHERE:	N/A
INFORMATION SOURCE OF:	Ken Hartman, Director of Strategic Partnerships, 240-777-2560
APPLICATION WITHIN MUNICIPALITIES:	Taxes and credits apply countywide
PENALTIES:	N/A

Fiscal Impact Statement

Bill XX-22E, Property Tax Credit - Elderly and Retired Military Service Members

1. Legislative Summary

Bill XX-22E extends the period for which a property tax credit may be granted for elderly individuals and retired military services members from five years to seven years. During the 2022 legislative session, the General Assembly enacted, and the Governor signed SB 901, which repealed the five-year limit on Property Tax Credits Maryland counties may offer to residents who are at least 65 years old and have lived in their homes for at least 40 years; or are retired from the uniformed services, the military reserves, or the national guard. In 2017, the Council enacted Bill 42-16, which created the property tax credit. In conformance with State law, the property tax credit was granted annually for five years, subject to application requirements. Expedited Bill XX-22 will extend the credit to seven years.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

The extension of the term of the Elderly Individuals and Veterans tax credit from five years to seven years will increase the tax credit by an aggregate \$12.2 million over six years (FY23-28). However, the FY23 Recommended Budget assumes the tax credit program continuing for all eligible property owners—therefore the impact of the bill for FY23 through FY28 is negligible, regarding the budgeted amounts for each year. The estimated increase in annual tax credit expenditures, shown in the table below, declines annually from FY24 to FY27 as a result of the earliest adopters ultimately leaving the program after receiving the additional 2-year extension.

The analysis below is based on current law compared to the Bill and assumes that: i) existing beneficiaries will continue to receive the credit for an additional two years; ii) an additional 200 elderly individuals and 20 veterans will sign up for the program each year; iii) the assessed value of benefiting properties increases by two percent per year. The assumed growth in benefit recipients listed above is set at double the actual growth of beneficiaries of the credit for levy year 2021 but is less than the number of new recipients in levy years 2019 and 2020.

Fiscal Year	FY23	FY24	FY25	FY26	FY27	FY28	6-Year Total FY23-FY28
Total	\$3,835,998	\$4,643,311	\$1,466,677	\$1,223,307	\$678,457	\$369,859	\$12,217,609

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

The net revenue loss for the extension to the FY23 Budget is negligible because the FY23 Recommended Budget assumed a continuation of the original credit as it is a small component of the overall forecast for the tax credit. There is no apparent impact on expenditures.

- 4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.**

Not applicable.

- 5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.**

Not applicable.

- 6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.**

Not applicable.

- 7. An estimate of the staff time needed to implement the bill.**

The Elderly Individuals and Veterans tax credit in its current form as a benefit for five years is already supported by staff of the Department of Finance. The proposed change to the tax credit would not require any additional staff time.

- 8. An explanation of how the addition of new staff responsibilities would affect other duties.**

Not applicable.

- 9. An estimate of costs when an additional appropriation is needed.**

Not applicable.

- 10. A description of any variable that could affect revenue and cost estimates.**

The number of eligible participants in future years may be higher or lower than the analysis depicts. There may be several applications that are ineligible because their property value is over \$650,000 (for elderly) or over \$500,000 (for retired members of the uniformed services). The average value of properties receiving the credit may increase at a higher or lower rate than estimated in the analysis. Any extension of the credit past seven years would result in higher cost.

- 11. Ranges of revenue or expenditures that are uncertain or difficult to project.**

See the response above in number 10.

- 12. If a bill is likely to have no fiscal impact, why that is the case.**

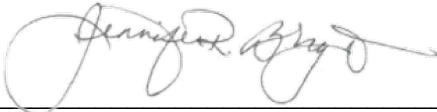
Not applicable.

13. Other fiscal impacts or comments.

Not applicable.

14. The following contributed to and concurred with this analysis:

Michael Coveyou, Director, Department of Finance
Nancy Feldman, Manager, Division of Fiscal Management
David Platt, Chief Economist, Fiscal Management Division, Department of Finance
Dennis Hetman, Fiscal Manager, Fiscal Management Division, Department of Finance
Todd Fawley-King, Division of Fiscal Management
Derrick Harrigan, Office of Management and Budget



Jennifer Bryant, Director
Office of Management and Budget

6-1-22

Date



OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

M E M O R A N D U M

June 2, 2022

TO: Gabe Albornoz, President
Montgomery County Council

FROM: Marc Elrich, County Executive *Marc Elrich*

SUBJECT: Bill XX-22E - Property Tax Credit - Elderly Individuals and Retired Military Services Members

I am recommending Expedited Bill XX-22 to extend the time limit for property tax credits for certain elderly individuals and retirees of the armed forces by two years.

During the 2022 legislative session, the General Assembly enacted, SB901, which repealed the five-year limit on Property Tax Credits counties may offer to residents who are at least 65 years old and have lived in their homes for at least 40 years or are retired from the uniformed services, the military reserves, or the national guard.

In 2017, the Council enacted Bill 42-16, which created the property tax credit. In conformance with State law, the property tax credit was granted annually for five years, subject to application requirements. Expedited Bill XX-22 will extend the credit to up to seven years.

The Governor signed the bill on May 12, 2022, and the new State law went into effect on June 1, impacting property tax bills that are due to be sent in just three weeks. Therefore, we have a limited time to move this Expedited Bill forward, which is why I have not proposed any other modifications.

ME:kh

Expedited Bill No. [Click - type number]
Concerning: [short title]
Revised: [date] Draft No. [#]
Introduced: [date]
Expires: [18 mos. after intro]
Enacted: [date]
Executive: [date signed]
Effective: [date takes effect]
Sunset Date: [date expires]
Ch. [#] , Laws of Mont. Co. [year]

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request for the County Executive

AN EXPEDITED ACT to:

- (1) extend a property tax credit for elderly individuals and retired military services members from five years to seven years; and
- (2) generally, amend the law regarding property tax credits.

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

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

(C) the dwelling for which a property tax credit is sought has a maximum assessed value of \$650,000 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 \$500,000 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.

(d) *Amount and duration of credit.*

(1) The credit allowed under this Section is 20% of the County property tax imposed on the dwelling.

(2) The credit must be granted each year for [5] 7 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

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

46 (f) *Regulations.* The County Executive may issue regulations under Method
47 2 to administer this tax credit.

48 **Sec. 2. Expedited Effective Date.**

49 The Council declares that this legislation is necessary for the immediate
50 protection of the public interest. This Act takes effect on the date on which it becomes
51 law.

52 *Approved:*

53

54

Gabriel Albornoz, President, County Council

Date

55 *Approved:*

56

Marc Elrich, County Executive

Date

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

58

Judy K. Rupp, Clerk of the Council

Date

Approved as to form and legality

 5/19/22

Chapter 268

(Senate Bill 901)

AN ACT concerning

Property Tax – Elderly Individuals and Veterans Tax Credit – Amount and Duration

FOR the purpose of authorizing the Mayor and City Council of Baltimore City or the governing body of a county or municipal corporation to determine the amount and duration of a certain tax credit against the county or municipal corporation property tax imposed on the dwelling of certain elderly individuals and veterans; and generally relating to a property tax credit for elderly individuals and veterans.

BY repealing and reenacting, with amendments,

Article – Tax – Property

Section 9–258

Annotated Code of Maryland

(2019 Replacement Volume and 2021 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

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 ~~subsection (d)~~ of 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 property tax credit allowed under this section may:

(1) not exceed 20% of the county or municipal corporation property tax imposed on the property; and

(2) be granted for a period of up to 5 years.

(d)] 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;

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

[(2)] **(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;

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

[(4)] **(5)** additional eligibility criteria for the tax credit under this section;

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

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

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2022, and shall be applicable to all taxable years beginning after June 30, 2022.

Approved by the Governor, May 12, 2022.