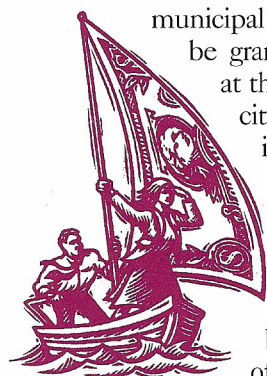


Property Tax Credits

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State law affords municipalities (and counties) a variety of property tax credit options that either must be made available to municipal taxpayers or may be granted by ordinance at the discretion of the city or town governing body. All authorized tax credits made available to local governments by the legislature can be found in Title 9 of the Tax-Property Article of the *Annotated Code of Maryland*. For the purposes of this article, the various tax credits enumerated in the *Code* are organized into the following six categories:

Homeowners/Renters

The mandatory tax credits within this category provide tax relief to homeowners and renters who are low income, elderly, or disabled, including disabled veterans and surviving spouses, as well as to all property owners who experience significant increases in the assessed value of their homes. The **Homeowner's Property Tax Credit Program** (also known as the "Circuit Breaker Program" and found at §9-104) is administered and funded by the State, and it reduces the property tax liability by a varying percentage depending on household income. The Department of Assessments and Taxation (DAT) authorizes the Comptroller to reimburse local governments for the credits issued on the property tax bills. A similar program is available providing rebates paid directly to **elderly or disabled renters and under age 60 renters with dependent children** (§9-102).

A municipality may at its discretion and expense grant a **tax credit**

supplement (§9-215.1) to the state homeowners tax credit. The amount of the supplement is limited to 50% of the state tax credit and cannot exceed the net tax liability after the state, municipal, and any county homeowners credits and supplements are added. DAT processes the credit supplement on behalf of local governments.

Property values are reassessed every three years of which 40% of the market value is applied to the state, county and, if applicable, municipal tax rate to derive the property tax. The **Homestead Tax Credit Program** (§9-105) credits the tax on assessment increases in excess of 10% over the previous year's assessed value. Municipalities, which absorb their costs for this program, have discretion to allow credits on the municipal property tax for annual increases that are equal to or less than the state mandated level of 10%; thereby, making possible even more relief to taxpayers than provided by the State.

Other tax credits optional to municipalities are for: (1) **rental dwellings of owners who provide reduced rents** (§9-219) to any tenant who is at least 65 years old or is permanently and totally disabled; (2) owner-occupied property to **offset increases in the municipal income tax** (§9-221) revenues resulting from a county income tax rate in excess of 2.5% of an individual's Maryland taxable income; and, (3) unmarried surviving **spouses of veterans** (§9-218) who have died in the line of duty.

Business

The second category of tax credits is provided to businesses. Qualified property used in business and located in an **enterprise zone** (§9-103) approved by the State

must be granted a tax credit, which is available for no more than ten years starting at an 80% credit for the first five years and decreasing in 10% increments to 30% in the tenth year. The State remits an amount equal to one-half of the tax that would have been collected by the local government. Municipalities may also grant a personal property tax credit if the property is located in a federally designated **foreign trade zone** (§9-231).

A city or town may grant a 100% tax credit effective for ten years for **manufacturing facilities** (§9-205) that locate, expand or develop a new product or industrial process and may grant a property tax credit on machinery, equipment, materials, and supplies that are consumed in or used primarily in **research and development** (§9-223) and for which the sale or use of the property is exempt from the sales tax. Other credits are optional for medium or larger **businesses that create new jobs** (§9-230), **computer software** (§9-227) classified as personal property, and building (including residential) **renovations to accommodate advanced computer and telecommunications systems** (§9-228).



Conservation

Tax credits are available for undeveloped land and for land improved to control drainage. A tax credit is allowed not exceeding 75% (or 100% in nine counties) on designated **open space** (§9-208), which includes property owners with an option contract to sell land to various government entities. A credit is mandated for **conservation property** (§9-107) donated and subject to

a perpetual easement by the Maryland Environmental Trust. Municipalities may allow a property tax credit on **conservation land** (§9-220) or property owned by a qualified land trust that is used for preservation, education, and conservation, or for sanctuary of wildlife.

Credits may be granted for property having **erosion control structures, procedures or devices** (§9-217), for which the governing body determines the duration of the credit, or for real property having a **sediment control pond or stormwater management structures** (§9-224) if required by and built in accordance with law. Finally, a municipality may grant tax credits for up to three years for improvements using solar, geothermal or other **energy conservation devices** (§9-203).

Community

Local tax credits are allowed for **cemeteries**, buildings leased by church groups, and private athletic fields. A municipality may grant a property tax credit on a **caretaker's dwelling house located on a cemetery** (§9-202) and may grant a credit on **property leased or used by a religious group or organization** (§9-222) used exclusively for public worship, education or office space to support worship or education. The religious group must be contractually liable for the property and the owner must reduce the rent by the amount of the tax credit.

A tax credit on private **real property that is leased by a municipality** (§9-225) can be provided as long as the city or town does not sublease it or use it for profit making purposes. Tax credits are authorized, if a municipality desires, for property taxes imposed on **athletic fields used for amateur sports** (§9-235). Finally a credit must be provided to **property owned by Ruritan**



International (§9-106) or its affiliate and is optional on **property owned by the Audubon Society** (§9-233), which is used for environmental education or preservation.

Property for use as a **day care facility** (§9-213) can receive a tax credit limited to \$3,000 or the actual tax amount for real property or a portion of real property dedicated for childcare. A tax credit is allowed on improvements to registered **day care centers** (§9-214) having at least 25 employees. The jurisdiction determines the amount and duration for both tax credit programs.

Rehabilitation

The tax credits provided under this category promote building improvements, fire protection, relief from flood damage, and contaminated property cleanup. A credit not to exceed 100% of the municipal tax is allowed for a **new or rehabilitated single-family dwelling or commercial property** (§9-207); that is effective for one year as long as the dwelling remains unsold or unrented. If a governing body designates real property as having suffered **residential flood damage** (§9-211), then a tax credit is allowed at an amount to be determined by the municipality.

A municipality that participates in the **Brownfields Revitalization Incentives Program** (§9-229) under Article 83A may grant a tax credit of 50% of the increase in the property value attributed to the cleanup and improvement as long as the municipality contributes 30% of the property tax attributed to the cleanup and improvement to a dedicated state fund. If granted, the municipal tax credit percentage shall apply to the state property tax as well.

Cities and towns may provide tax credits to property owners that have made **improvements with complete automatic fire protection**



sprinkler systems (§9-232). Municipalities may also grant tax credits for **vacant or underutilized commercial buildings** (§9-234) previously used and built for business purposes and then renovated for use as housing.

Historic Preservation

Ten percent of the properly documented expenses of a private owner taxpayer incurred in the restoration and preservation of a structure that the municipality determines has **historic or architectural value** (§9-204) can be credited. Additionally, a tax credit of up to 5% of the expenses incurred in constructing an architecturally compatible new structure built in a historic district is also allowed. Where a historic commission is established locally, that body makes the decision to allow the credit, which may be applied on any subsequent single year's taxes for up to five years.

The policy intent of this final tax credit is to provide tax relief for the increase in property value resulting from the **restoration or rehabilitation of historic properties** (§9-204.1). The program provides a credit for the value of the improvement lasting for a period of 10 years and eligibility is as stringent as required in the above-related credit (§9-204), which includes that the property be located in a historically designated area.

Title 9 also lists various tax credits applicable to municipalities by specific county and other minor credits. Please consult the Tax-Property Article or contact MML, the Department of Assessments and Taxation's Taxpayer Services Office at 800/944-7403, or your local Assessment Office for details on all tax credits mandatory or optional to your city or town. ■

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