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	SUBJECT	City Council Bill No. 08-0007R		



TO

The Honorable President & Members
of the City Council
Room 400, City Hall

DATE:

February 15, 2008

Attn: Ms. Karen Randle

City Council Bill 08-0007R requests the Director of the Baltimore City Department of Finance and the Director of the Maryland Department of Assessments and Taxation (SDAT) to brief the Council regarding the new Homestead Tax Credit law, the new application requirements, the process by which citizens must apply, the new deadlines for applying, and the efforts that the State and City are putting forth to inform the citizens who need to apply about the new process.

Background

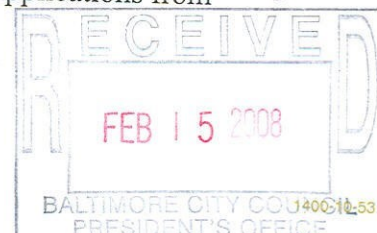
The Homestead Tax Credit was enacted almost 30 years ago to mitigate the effects of rapidly rising property tax assessments on homeowners' property tax liability. The credit is limited to the homeowners' principal residence; under the law a taxpayer is not entitled to the credit on any additional properties that he or she may own. The City's FY2008 General Fund budget includes \$72 million for the cost of the 4 percent credit.

Legislation enacted during the 2007 session of the Maryland General Assembly requires homeowners statewide to submit a one-time application in order to continue their eligibility for the Homestead Tax Credit. The primary reason for this change in law was due to the fact that some property owners have improperly received the credit on residences other than their primary residence. The Department of Finance has been aware of several examples of this type of abuse over recent years. For example, SDAT has reported to the City that one property in Canton improperly received \$1,815 in City Homestead Credit during FY2007 before it was reported to SDAT in time to stop it from receiving another \$2,525 in credit for FY2008. Another property in Hampden improperly received \$267 in City Homestead Credit during FY2007 before it was reported to SDAT in time to stop it from receiving \$384 in City Credit during FY2008.

Application Process

It is important to note that under the State legislation, no current Homestead Credit received by a homeowner is subject to being lost (if the person does not complete an application) before **December 31, 2012**. SDAT has begun rolling out its communications to homeowners about the application process in conjunction with the reassessment cycle. New reassessment notices beginning in 2008 include information regarding the requirement that the homeowner apply for the credit and instructions for how to apply. Those residents in assessment group 2, who were reassessed as of January 2008, have received these instructions from SDAT. Applications from

Comments



group 2 residents can be submitted to SDAT either online through April 1, 2008 or through the mail through December 31, 2012. Residents can wait for the instructions to come with their reassessment notices or, if they would like to apply earlier, they can request an application by calling SDAT or visiting the website.

New homeowners (includes those whose properties are transferred after December 31, 2007) are required to apply for the credit within 180 days following the date the dwelling is transferred. Upon receiving the property transfer records, SDAT mails a notice to all new homeowners providing them with instructions on how to apply for the credit.

Outreach Efforts

The City Department of Finance has posted a fact sheet on its website (<http://www.baltimorecity.gov/government/finance/downloads/HomesteadTaxCredit.pdf>) with information regarding the new requirement, how to apply, and the contact information for SDAT. Customer service representatives in the City Collections Division call center have also been equipped with this information to assist callers.

While the City Finance Department supports the change in State law because it will serve to limit the amount of abuse within the program, the Department also sees very clearly the need for aggressive outreach and management of the application process in order to ensure that homeowners do not fall through the cracks. To this end, the Finance Director's Office intends to convene a working group to include representative(s) from SDAT, the Mayor's Office of Information Technology (MOIT), the Commission on Aging and Retirement Education (CARE), a representative(s) from the realtor and/or title community and others to ensure as smooth a roll-out of the application process as possible for City residents. Specifically the working group will focus on the following aspects of the process.

- SDAT has assured the City that prior to the 2012 deadline, it will share on a regular basis reports to show any property that has had the same owner for 25 or more years that has not filed for the credit, in an effort to identify any senior citizen homeowners who have not filed. SDAT will follow-up with additional mailings to homeowners appearing on the report, and the working group will discuss other ways to ensure that all of the City's most vulnerable homeowners are properly enrolled. The Finance Director's Office would like to work with SDAT to begin receiving these reports by this summer for homeowners in assessment group 2.
- Given that new homeowners have only 180 days from the date of transfer to file application for the credit, the Finance Director's Office would like to pursue obtaining regular reports from SDAT regarding any properties that have transferred ownership perhaps within 90 days from the report but have not filed the credit application so that additional outreach can be made to these homeowners prior to the 180 day deadline.
- As it currently stands, the City and individual homeowners do not have the ability to confirm if a credit application has been received and a property has been properly coded to continue receiving the credit. The working group will discuss ways to provide access to homeowners and to the City Collections Division call center to confirm the outcome of an application. This type of confirmation tool would help ensure that tax bills beginning in

July 2009 for new homeowners purchasing property since January 2008 and tax bills beginning in July 2013 for long-term occupants properly reflect the credit for those who filed an application.

Conclusion

We hope that this response answers some of the Council's questions related to the new application requirement. We would be happy to consider any additional ideas that Council members might have regarding steps the City might take to ensure that City residents do not fall through the cracks with the new requirement.