



CITY OF BALTIMORE  
MAYOR BRANDON M. SCOTT

<b>TO</b>	The Honorable President and Members of the Baltimore City Council
<b>FROM</b>	Robert Cenname, Deputy Finance Director
<b>DATE</b>	February 12 <sup>th</sup> , 2026
<b>SUBJECT</b>	26-0151 Taxes—Property Tax—Increase of Homestead Tax Credit Percentage

**Position: Support**

The Department of Finance is herein reporting on City Council Bill 26-0151, Taxes—Property Tax—Increase of Homestead Tax Credit Percentage, the purpose of which is increasing the City’s Homestead Tax Credit cap from 4% to 6%.

**Background**

In December 2025, the City released the second long-range financial plan for Baltimore, *Securing Baltimore’s Future: A 10-Year Financial Plan for Baltimore, FY26-31*, which is available on the Bureau of the Budget and Management Research’s [website](#). The Plan is a set of actions and investments that, if implemented over the next decade, will ensure the City sustainably balances the annual budget while fostering long-term population growth and community vitality. Consisting of over 80 initiatives, the Plan focuses on cost control, while improving quality of life and strengthening the City’s competitiveness.

City Council Bill 26-0151, Taxes—Property Tax—Increase of Homestead Tax Credit Percentage implements 3.01 from *Securing Baltimore’s Future*. This initiative is part of the Tax Competitiveness Cornerstone, which includes initiatives that are focused on reducing the tax burden on City residents, diversifying revenue sources for the City budget, and improving tax fairness.

The Homestead Tax Credit limits the annual increase in taxable assessments for eligible homeowners. State law authorizes local jurisdictions to establish a cap on this credit, which may be set anywhere between 0% and 10%. Any difference between the actual tax liability and the capped liability is provided through the Homestead Tax Credit. To qualify for the credit, residential property owners must apply to and be approved by the State Department of Assessments and Taxation (SDAT). Applicants must certify that the property is their single principal residence for the upcoming calendar year.

**Benchmarking and Analysis**

Baltimore City currently sets its Homestead cap at 4%, a level lower than most Maryland jurisdictions. The City’s cap ranks 20th lowest among the State’s 24 counties. Among the 24 largest municipalities in Maryland, with populations greater than 10,000, twelve set their cap at the State maximum allowable of 10% and only two set their cap below Baltimore’s 4% level. While the 4% cap offers strong protection for eligible homeowners, it also limits revenue growth in the City’s fastest-appreciating neighborhoods. This

constraint contributes to the need for a higher citywide tax rate. Jurisdictions with higher Homestead caps generally maintain lower property tax rates overall.

One common misconception about the Homestead cap is that it largely protects legacy homeowners on fixed incomes. Although the Homestead Tax Credit can help shield taxpayers from higher costs, most of the benefits have accrued to wealthier homeowners living in the City’s fastest growing neighborhoods with the highest property values. In Fiscal 2025, the top ten neighborhoods by total credit amount for residents receiving the Homestead Tax Credit included Guilford, Homeland, Mount Washington, Roland Park, Locust Point, Riverside, Hampden, and Canton. The top ten neighborhoods by the percentage of properties receiving the Homestead Tax Credit included many similar neighborhoods, such as Guilford, Homeland, Cedarcroft, and Original Northwood.

The City’s 10-Year Financial Plan, *Securing Baltimore’s Future*, calls on the City to re-align its tax rate with the best practices of other Maryland jurisdictions with the goal of reducing the City’s property tax rate. The City’s high property tax rate, at \$2.248 for each \$100 of assessed value, is more than double that of other Maryland counties and is seen as a disincentive to retaining existing residents and attracting new investment. As part of the City’s first 10-Year Plan, *Change to Grow*, the City created a lower effective tax rate for residential homeowners and phased in relief over a ten-year period through the creation of the Targeted Homeowners Tax Credit (THTC). The THTC applies a credit to the tax bill, which currently reduces the effective rate for residential homeowners to \$2.048 per \$100 of assessed value, approximately 20 cents below the full tax rate.

As a first step in achieving these goals, *Securing Baltimore’s Future* calls on the City to increase its Homestead cap from 4% to 6% while concurrently reducing the effective residential homeowner rate from \$2.048 to \$1.998 by Fiscal 2027. The purpose of implementing these actions concurrently is two-fold: to ensure that new revenues derived from the higher Homestead cap are redirected solely to tax rate reduction; and to maximize the impact to individual taxpayers while limiting the impact on residents’ property tax bills.

### **Fiscal Impact**

The proposed change in legislation must be examined from two angles: 1) the impact to the City’s General Fund budget, and 2) the impact to individual taxpayers.

### **City Impact**

The increase in the Homestead Tax Credit cap alone will generate additional City tax revenue, but when paired with the 5-cent reduction in the effective residential rate this proposal will result in a net loss of \$3.8 million of City General Fund revenue:

<b>Fiscal 2027 General Fund Impact</b>	
<i>(in \$ millions)</i>	
Homestead Cap Change from 4% to 6%	4.5
Effective Residential Tax Rate from \$2.04 to \$1.99	<b>(8.3)</b>
<b>Net Impact</b>	<b>(3.8)</b>

If City Council Bill 26-0151 is enacted, the City will accelerate the timeline to reach the targeted rate reduction of 5-cents in its Fiscal 2027 Preliminary Budget proposal. The rate reduction is granted to City taxpayers through the THTC, which is set each year by the Board of Estimates, typically in May or June.

### **Individual Taxpayers**

To determine the impact on individual taxpayers, BBMR utilized the most current real property assessments which are the basis for Fiscal 2027 tax bills. This includes the most recent Group 2 re-assessments that were completed by SDAT in December 2025. There are a total of 75,462 residential homeowners that have certified to SDAT that they occupy the home that they own which makes them eligible for the Homestead Tax Credit and the THTC. These proposed changes to the Homestead and THTC mean that residents' Fiscal 2027 tax bill may change from what they would have seen under current policy.

To determine the scale of the impact, BBMR compared the estimated Fiscal 2027 tax bill under the current law (Homestead 4%, \$2.048 rate) with the proposed law (Homestead 6%, \$1.998 rate). Under the proposal, it is estimated that tens of thousands of homeowners' anticipated tax bill would be lower, with limited impacts to other taxpayers:

<b>Impact to Residential Homeowners</b>			
<b>Impact</b>	<b># of Taxpayers</b>	<b>% of Taxpayers</b>	<b>Avg. Change</b>
Tax Decrease	64,218	85.1%	(\$58.04)
No Impact	10,807	14.3%	\$0.00
Tax Increase	<u>437</u>	<u>0.6%</u>	\$20.69
<b>Total</b>	<b>75,462</b>	<b>100.0%</b>	

**Other Considerations**

The City Council should consider three other factors: the timeline for passage; the Mayor's commitment to hold harmless residents that may see an increase in their tax bill in Fiscal 2027 from these changes; and efforts to boost enrollment in the Homestead and State Homeowner's and Renter's Tax Credits.

***Timeline***

To be eligible for implementation on the subsequent year tax bill, State law requires local governments to notify SDAT by March 15 of any change to the Homestead cap. The intent of the State law is to provide SDAT with enough time to factor in the new Homestead rate when preparing tax bills for the July 1 mailing date. The Administration's intent is to notify SDAT by March 15, 2026 so that implementation can commence for the July 1, 2026 (Fiscal 2027) tax bills. To meet these requirements, this bill must be passed by City Council at the meeting on March 9, 2026. This tight timeline was partially impacted by the recent snow event which led to the cancellation of the January 26, 2026 City Council meeting.

***Hold Harmless***

The intent of pairing the Homestead cap increase with a significant reduction in the effective homeowner rate through the THTC is to deliver the most savings to property owners while minimizing the impacts. It is important to note that, under this proposal, it is estimated that there is still a small fraction of taxpayers (437 total taxpayers, or 0.6%) that would pay more than under the current law. The reason is two-fold: 1) the current THTC law requires that the relief for residential homeowners be calculated on the assessed "Improvements" value (not the "Total" value), and 2) a small number of properties each year are assessed with the "Land" value being larger than the "Improvements" value. The combination of these two factors weakens the value of the THTC rate relief for a small number of homeowners.

It is estimated that to make those homeowners neutral versus current law would require an additional \$9,043 and legislation to expand the THTC. BBMR is working with the Mayor's Office, Law Department, and Department of Legislative Reference to determine the requirements and draft legislation based on analysis of the calculation factors that has impacted these properties. Since the THTC does not go before the Board of Estimates until later in the spring, the Administration will introduce legislation to address this issue.

### ***Additional Efforts***

The City will also work to boost enrollment in other tax credits that reduce property tax burden, like the State Homeowner's and Renter's Tax Credits, which are designed to limit the amount of property taxes or rent a resident must pay based upon their income. These credits provide meaningful tax relief to low- and moderate-income households. Analysis of U.S. Census and property assessment data indicates that thousands of eligible Baltimore residents are not currently enrolled in the State Homeowner's and Renter's Tax Credit programs. To close this gap, the City is developing a strategy, which will engage nonprofit organizations with expertise in this program and outreach to communities, to identify and assist eligible households with enrollment. In addition, the City will also look to boost enrollment in the Homestead Tax Credit to ensure that all residents who are eligible to receive the credit are receiving it.

### **Conclusion**

City Council Bill 26-0151 is a first step in the Administration's long-term strategy to lower the City's property tax rate and reduce the burden on City taxpayers. The combination of a higher Homestead cap (to 6%) and a large residential tax rate reduction (5 cents) will better align the City's practices with those of other large Maryland counties and municipalities. It will bring the City's residential tax rate below \$2.00, representing a key milestone in the City's progress on rate reduction. And, it will result in net savings to more than 64,000 City homeowners in Fiscal 2027, delivering on the promise to reduce the cost of living for City families.

**Based on these findings, the Department of Finance supports the passage of CCB 26-0151.**

cc: Michael Moiseyev  
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