

26-0151: Increase of Homestead Tax Credit

*Securing Baltimore's
Future*
Tax Reduction Strategy



Agenda

-  **1** *Tax Reduction Strategy*
-  **2** *Homestead Tax Credit*
-  **3** *Impact*
-  **4** *Discussion / Questions*

10-Year Financial Plan

Tax Reduction Strategy



Brandon M. Scott
Mayor

BM  RE BUDGET

10-Year Financial Plan Tax Reduction Strategy



Securing Baltimore's Future, the City's new 10-Year Financial Plan, prioritizes reducing the property tax rate and tax burden through three strategies:

1

Tax Rate Re-Alignment

- Utilize best practices already in use by other Maryland jurisdictions
- Largely cost-neutral to the City, and to individual homeowners

2

Direct Tax Relief

- Provide direct tax relief to existing residential homeowners
- Cost to the City, savings for homeowners

3

Protecting Vulnerable Residents

- Expand eligibility and boost enrollment in State Homeowner's and Renter's tax credits
- Cost to the State and City, savings for homeowners and renters



2026 Initiatives

To achieve these goals, the City is launching four initiatives in 2026:

1

Adjust the Homestead Tax Credit from 4% to 6% (Initiative 3.01)

- The current cap of 4% is significantly lower than other jurisdictions.
- Revenue generated from this change will fund initiative 3.02, lowering property taxes for the vast majority of Baltimore's homeowners.

2

Reduce Effective Residential Rate to \$1.99 in FY 27 (Initiative 3.02)

- The City will expand the Targeted Homeowners Tax Credit in Fiscal 2027 to achieve an effective tax rate below \$2.
- The reduced rate will offset the adjustment from Homestead Tax Credit for the majority of residents, who will not pay more than they would have under current policy.

3

Boost Enrollment in Tax Credits (Initiative 3.07)

- Analysis of U.S. Census and property assessment data indicates that thousands of eligible Baltimore residents are not currently enrolled.
- To close this gap, the City will partner with nonprofit organizations to identify and assist eligible households with enrollment.

4

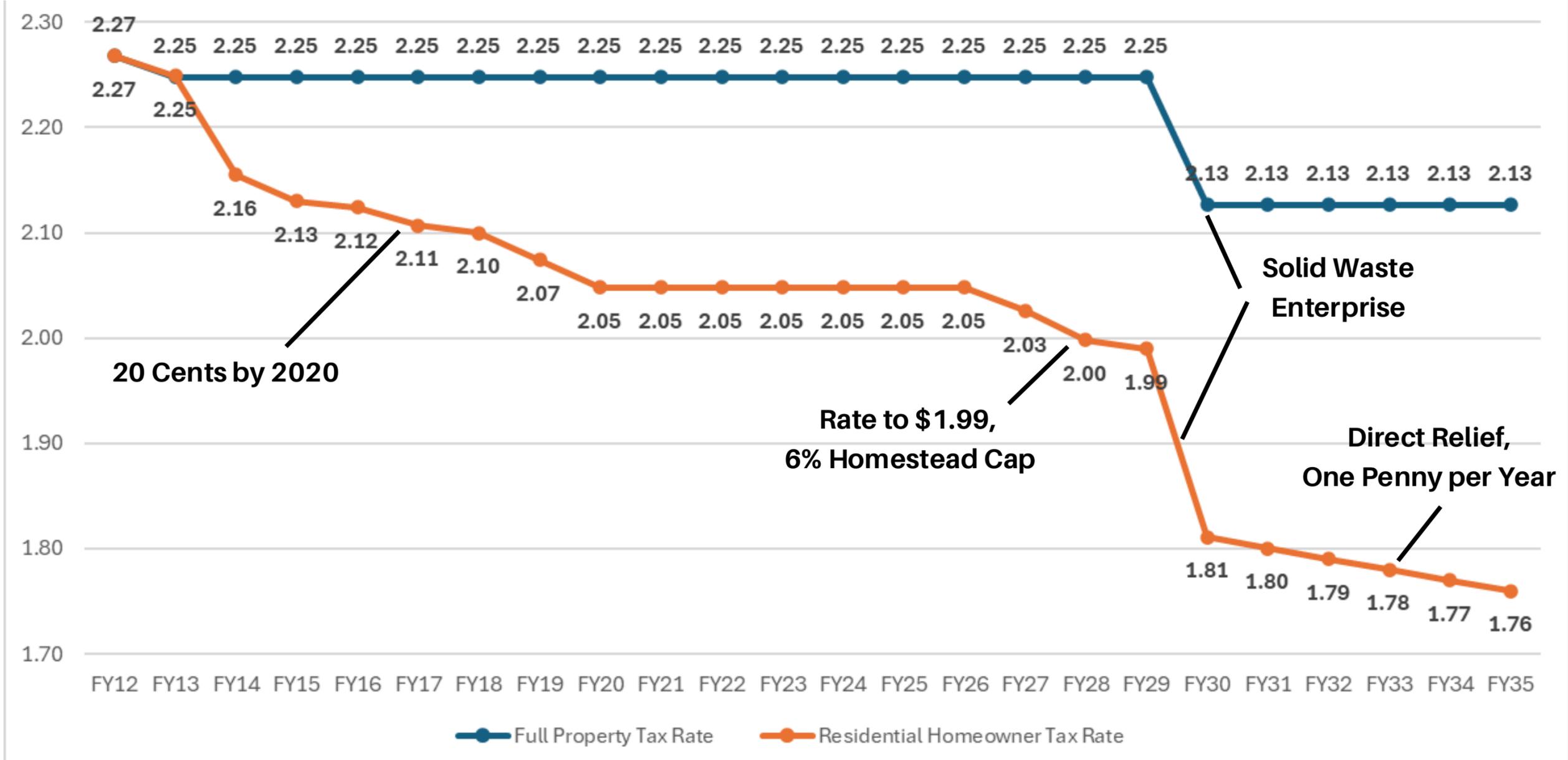
Expand Eligibility for State Homeowners and Renters Tax Credits (Initiative 3.08)

- Income eligibility for this tax credit hasn't been adjusted for inflation in nearly 20 years, resulting in estimated thousands of households losing access.
- The Baltimore City Administration is advocating to make this tax credit more accessible, and Mayor Scott has included this as one of his legislative priorities for the 2026 Maryland General Assembly Session.



10-Year Financial Plan Impact

Building on the 20 Cents by 2020 Plan, these strategies would further reduce both the residential homeowners rate and the full tax rate.



10-Year Financial Plan Impact

The median residential homeowner would see significant savings over the 10-Year period.

	<u>FY 26</u>	<u>FY 27</u>	<u>FY 28</u>	<u>FY 29</u>	<u>FY 30</u>	<u>FY 31</u>	<u>FY 32</u>	<u>FY 33</u>	<u>FY 34</u>	<u>FY 35</u>	<u>Cumulative</u>
Assessed Value	125,000	130,000	135,200	140,608	146,232	152,082	158,165	164,491	171,071	177,914	
Assessment Growth		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
Annual Rate Reduction		0.028	0.020	0.010	0.000	0.010	0.010	0.010	0.010	0.010	
Cumulative Rate Reduction		0.028	0.048	0.058	0.058	0.068	0.078	0.088	0.098	0.108	
Taxes Owed - Baseline	2,560	2,662	2,769	2,880	2,995	3,115	3,239	3,369	3,504	3,644	30,736
Taxes Owed - Proposed	2,560	2,626	2,704	2,798	2,910	3,011	3,116	3,224	3,336	3,452	29,737
Difference	0	(36)	(65)	(82)	(85)	(103)	(123)	(145)	(168)	(192)	(999)

Note: median residential homeowner has a home assessed at \$125,000 that grows by 4% annually.

10-Year Financial Plan

Homestead Tax Credit



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Background



1 Definition

The Homestead cap limits the annual increase in taxable real property assessments for eligible homeowners. This impacts the total value the property tax rate is applied to when calculating annual tax bills.

2 Eligibility

Applicants must certify to SDAT that the property is their single principal residence for the upcoming calendar year.

Baltimore City has approximately 75,000 eligible properties.

3 Local Authority

State law allows local jurisdictions to set the Homestead cap anywhere between 0% and 10%.

Baltimore City's Homestead cap is set at 4%.



Baltimore City Credit Calculation



The Homestead Tax Credit is calculated by comparing the actual assessed value of the property vs. the assessed value within the allowable Homestead Cap (4% for Baltimore City).

In effect, a homeowner is shielded from paying taxes on the amount of assessed property value that exceeds the 4% cap on an annual basis.

	Actual	Homestead
Assessment Year 1	\$100,000	\$100,000
Assessment Year 2	\$120,000	\$104,000
Tax Rate	2.248%	2.248%
Taxes Owed	\$2,698	\$2,338
Difference		\$360



Benchmarking

Baltimore City's Homestead cap is set at a lower level than most Maryland jurisdictions.

Among counties, Baltimore City's 4% Homestead cap is tied for the 20th lowest rate of the 24 counties.

Of Maryland municipalities with at least 10,000 residents, half have set their cap at the state maximum of 10% and only two have a cap lower than 4%.

Jurisdictions with higher Homestead caps can generally maintain lower property tax rates overall.

Maryland Counties	
County	Cap
State of Maryland	10%
Calvert	10%
Montgomery	10%
Somerset	10%
Charles	7%
Caroline	5%
Carroll	5%
Dorchester	5%
Frederick	5%
Garrett	5%
Harford	5%
Howard	5%
Kent	5%
Prince Georges	5%
Queen Anne's	5%
Washington	5%
Wicomico	5%
Allegheny	4%
Baltimore County	4%
Cecil	4%
Baltimore City	4%
St. Mary's	3%
Worcester	3%
Anne Arundel	2%
Talbot	0%

Maryland Municipalities		
Municipality	Cap	County
Gaithersburg	10%	Montgomery
Rockville	10%	Montgomery
Annapolis	10%	Anne Arundel
Laurel	10%	Prince Georges
Hyattsville	10%	Prince Georges
Takoma Park	10%	Montgomery
Easton	10%	Talbot
Aberdeen	10%	Harford
New Carrollton	10%	Prince Georges
Bel Air	10%	Harford
Bladensburg	10%	Prince Georges
Mount Rainier	10%	Prince Georges
Elkton	8%	Cecil
Westmister	7%	Carroll
La Plata	7%	Charles
Frederick	5%	Frederick
Bowie	5%	Prince Georges
Hagerstown	5%	Washington
Greenbelt	5%	Prince Georges
Havre de Grace	5%	Harford
Cambridge	5%	Dorchester
Cumberland	4%	Allegheny
Baltimore City	4%	Baltimore City
Mount Airy	3%	Carroll
College Park	0%	Prince Georges

Note: Municipality list includes all municipalities with population greater than 10,000.



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Current Impact

Higher-valued properties tend to experience greater growth in value and reap more benefit from the Homestead Tax Credit.

Top 10 Neighborhoods

Total Credit Amount
Fiscal 2025

Neighborhood	Total Credit Amount
Canton	\$1,782,957
Hampden	\$1,132,152
Riverside	\$892,885
Locust Point	\$526,625
Cheswolde	\$493,538
Roland Park	\$451,788
Homeland	\$404,188
Mount Washington	\$393,696
Guilford	\$252,236
Frankford	\$165,233

Top 10 Neighborhoods

% of Residential Properties Receiving
Fiscal 2025

Neighborhood	% of Residential Properties Receiving ATC
The Orchards	82.7%
Bellona-Gittings	78.8%
Cedarcroft	75.8%
Homeland	73.1%
Radnor-Winston	72.6%
Mayfield	72.2%
Guilford	71.2%
Pleasant View Gardens	70.4%
Original Northwood	69.0%
Evergreen	67.1%



10-Year Financial Plan

Impact



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Impact to Residential Homeowners

To offset the impact to homeowners currently receiving the Homestead Tax Credit, the City will phase-in rate reduction through the Targeted Homeowners Tax Credit.

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

1 Increase Homestead Tax Credit Cap
 Increasing the Homestead Tax Credit cap from 4% to 6% is estimated to generate \$4.5M in additional revenue in Fiscal 2027.

2 Invest in Tax Rate Reduction for Homeowners
 Investing \$8.3M in the Targeted Homeowners Tax Credit (THTC) reduces the effective tax rate from \$2.048 to \$1.998 per \$100 assessed value.

This is equivalent to a **5-cent reduction in the effective tax rate** for eligible homeowners.

This cost will be partially offset from the additional revenue generated from increasing the Homestead Tax Credit cap to 6%.

Impact to Residential Homeowners

Scenario: Moderate Growth

Assessed Value: \$215,000
Gross Taxes: \$4,962

- ### Triennial Assessment Growth
- Fiscal 2026: 8%
 - Fiscal 2029: 6%

FY27 Estimated Tax Bill



Moderate Growth Scenario: Details

Triennial Assessment

215,000

Triennial Growth

8.0%

6.0%

CURRENT - 4% Homestead Cap & THTC to \$2.048							
	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32
Gross Taxes	4,833	4,962	5,091	5,220	5,324	5,429	5,533
Homestead Tax Credit	0	0	0	0	0	0	0
Targeted Homeowners Tax Credit	(430)	(441)	(453)	(464)	(474)	(483)	(492)
Net Property Tax	4,403	4,521	4,638	4,755	4,851	4,946	5,041

PROPOSED - 6% Homestead Cap & THTC to \$1.99							
	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32
Gross Taxes	4,833	4,962	5,091	5,220	5,324	5,429	5,533
Homestead Tax Credit	0	0	0	0	0	0	0
Targeted Homeowners Tax Credit	(430)	(552)	(566)	(581)	(592)	(604)	(640)
Net Property Tax	4,403	4,410	4,525	4,639	4,732	4,825	4,893

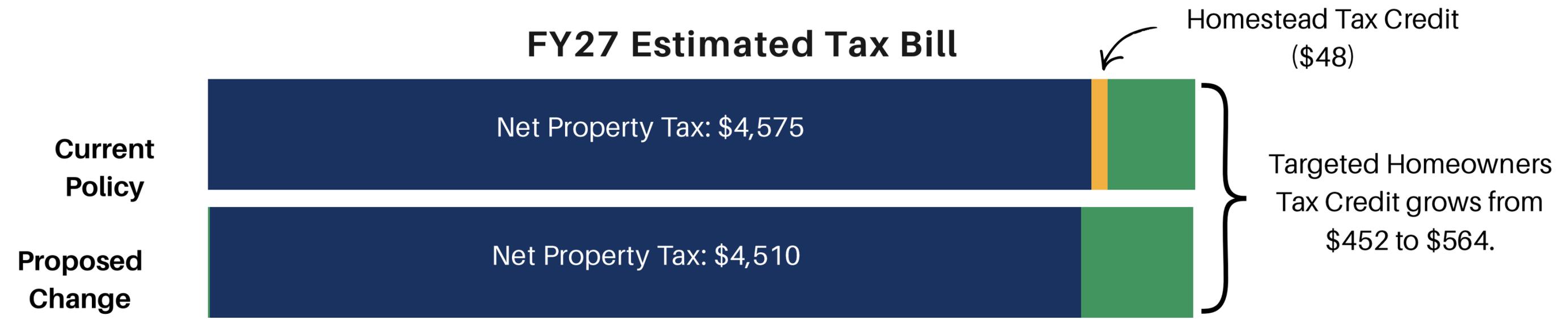
Year-by Year Difference	0	(110)	(113)	(116)	(118)	(121)	(148)
Cumulative Difference		(110)	(224)	(340)	(458)	(579)	(727)

Impact to Residential Homeowners

Scenario: High Growth

Assessed Value: \$215,000
Gross Taxes: \$5,075

- ### Triennial Assessment Growth
- Fiscal 2026: 15%
 - Fiscal 2029: 12%



High Growth Scenario: Details

Triennial Assessment

215,000

Triennial Growth

15.0%**12.0%**

CURRENT - 4% Homestead Cap & THTC to \$2.04

	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32
Gross Taxes	4,833	5,075	5,317	5,558	5,781	6,003	6,225
Homestead Tax Credit	0	(48)	(89)	(121)	(126)	(123)	(110)
Targeted Homeowners Tax Credit	(430)	(452)	(473)	(495)	(514)	(534)	(554)
Net Property Tax	4,403	4,575	4,755	4,942	5,140	5,346	5,562

PROPOSED - 6% Homestead Cap & THTC to \$1.99

	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32
Gross Taxes	4,833	5,075	5,317	5,558	5,781	6,003	6,225
Homestead Tax Credit	0	0	0	0	0	0	0
Targeted Homeowners Tax Credit	(430)	(564)	(591)	(618)	(643)	(668)	(720)
Net Property Tax	4,403	4,510	4,725	4,940	5,138	5,335	5,505

Year-by Year Difference	0	(65)	(29)	(2)	(2)	(11)	(57)
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Cumulative Difference		(65)	(94)	(96)	(98)	(109)	(166)
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Impact to Residential Homeowners

85% of eligible homeowners will see the estimated Fiscal 2027 tax bill decrease under this strategy compared to the estimated Fiscal 2027 tax bill under the current law.

Estimated Impact to Residential Homeowners*			
<u>Impact</u>	<u># of Taxpayers</u>	<u>% of Taxpayers</u>	<u>Avg. Change</u>
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
Total	75,462	100.0%	

*As of January 2026

- Over 75,000 residents are estimated to see no change or a reduction in their estimated Fiscal 2027 tax bill under this strategy.
 - Assessment increases for residents no longer receiving the Homestead will be offset by the reduced effective tax rate.
 - Eligible residents not currently receiving the Homestead Tax Credit will benefit from the full effect of the THTC.
- An estimated limited number of residents (437 or 0.6% of eligible homeowners) will pay more due to an unusual combination:
 - City law requires THTC rate calculated on the Improved assessed value rather than Total value
 - SDAT assessed these properties with more value on the Land than the Improvements

The Mayor is committed to hold harmless residents that may see an increase in their tax bill in Fiscal 2027 from these changes.



Impact to Residential Homeowners

Additional legislation will be needed to address residents impacted from policy change.

- To ensure those homeowners do not pay more than they would on their estimated Fiscal 2027 tax bill under current law, additional legislation is required to adjust the THTC.
- This will require an additional \$9,043 in funding, that would be calculated on the tax bill to offset the estimated tax increase.
- 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 Tax Relief Initiatives

The City will implement initiatives to provide additional tax relief, targeting lower-income homeowners and renters.

1

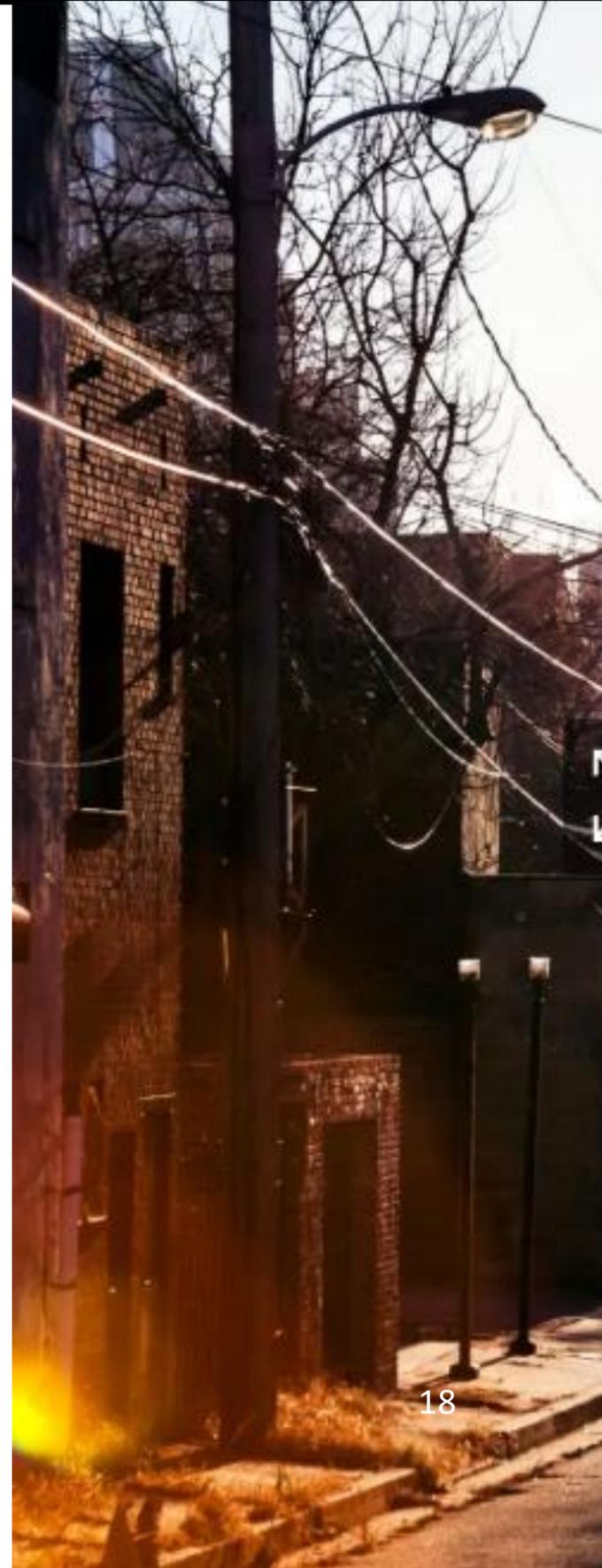
Boost Enrollment in State Homeowner's and Renter's Tax Credits

- Using Census tract and tax credit data, the City has identified areas where these tax credits may be underutilized--eligible residents are not receiving this benefit.
- The City will invest funds to partner with community groups to conduct targeted outreach, enrolling more residents in these tax credits.

2

Expand Eligibility for State Homeowner's and Renter's Tax Credits

- The number of households receiving these credits decrease over time.
- This may be because eligibility requirements, such as income and net-worth thresholds, have not been updated since 2006, despite growth in household incomes, property assessment values, and housing costs.
- The City is working with State partners to update these requirements in the 2026 General Assembly Session.



Questions?



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Appendix



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Homestead Credit Calculation



Each year, the State Department of Assessments and Taxation (SDAT) issues new assessments for approximately one-third of properties. Any increase in assessment is phased-in over a three year period.

- This means that if a property's triennial assessment increases by 8%, assessments would increase by 2.66% annually.

If the annual assessment increase percentage is greater than the Homestead Tax Credit cap, the assessment will only increase by the percentage of the cap.

- This means that if a property's triennial assessment increases by 14%, without the Homestead the assessment would increase by 4.66% annually.
- In Baltimore City, where the Homestead cap is 4%, the assessment would increase by 4% annually.

To be eligible for this credit, residents must submit an application to SDAT certifying that the property is their principal residence.



Moderate Growth Scenario: Details

Triennial Assessment	215,000						
Triennial Growth	8.0%			6.0%			
CURRENT - 4% Homestead Cap & THTC to \$2.048							
	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32
Assessment (Full)	215,000	220,733	226,467	232,200	236,844	241,488	246,132
Assessment (for ATC)	215,000	223,600	229,563	235,525	241,488	246,318	251,148
Assessment (Taxable)	215,000	220,733	226,467	232,200	236,844	241,488	246,132
Full Tax Rate	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%
Gross Taxes	4,833	4,962	5,091	5,220	5,324	5,429	5,533
Homestead Tax Credit	0	0	0	0	0	0	0
Targeted Homeowners Tax Credit	(430)	(441)	(453)	(464)	(474)	(483)	(492)
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Assessment (for ATC)	215,000	227,900	241,574	256,068	271,433	287,718	304,982
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 Triennial Growth **15.0%** **12.0%**

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Assessment (Full)	215,000	225,750	236,500	247,250	257,140	267,030	276,920
Assessment (for ATC)	215,000	223,600	232,544	241,846	251,520	261,580	272,044
Assessment (Taxable)	215,000	223,600	232,544	241,846	251,520	261,580	272,044
Full Tax Rate	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%
Gross Taxes	4,833	5,075	5,317	5,558	5,781	6,003	6,225
Homestead Tax Credit	0	(48)	(89)	(121)	(126)	(123)	(110)
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Cumulative Difference (65) (94) (96) (98) (109) (166)

Historical Assessment Data by Group

Group 1		
Fiscal Year	Triennial	Annual
2011	-2.6%	-0.9%
2014	-3.1%	-1.0%
2017	10.9%	3.6%
2020	8.4%	2.8%
2023	6.6%	2.2%
2026	17.4%	5.8%
Average	6.3%	2.1%
Median	7.5%	2.5%

Group 2		
Fiscal Year	Triennial	Annual
2012	-8.7%	-2.9%
2015	7.0%	2.3%
2018	6.2%	2.1%
2021	9.1%	3.0%
2024	21.6%	7.2%
2027	10.5%	3.5%
Average	7.6%	2.5%
Median	8.1%	2.7%

Group 3		
Fiscal Year	Triennial	Annual
2010	20.9%	7.0%
2013	-6.8%	-2.3%
2016	9.6%	3.2%
2019	3.6%	1.2%
2022	4.1%	1.4%
2025	17.9%	6.0%
Average	8.2%	2.7%
Median	6.9%	2.3%