



MEMORANDUM

To: The Honorable President and Members of the Baltimore City Council
c/o Natawna Austin, Executive Secretary

From: Alice Kennedy, Housing Commissioner



Date: April 26, 2022

Re: City Council Bill 22-0212 Residential Retention Tax Credit – Amendment

The Department of Housing and Community Development (DHCD) has reviewed City Council Bill 22-0212 for the purpose of amending application requirements for the portable homestead tax credit; terminating the sunset of the credit; and generally relating to the portable homestead property tax credit.

Enacted in 2014, the Portable Homestead Tax Credit Program provides a real property tax credit to residents of Baltimore who have lived in Baltimore, received a Homestead Tax Credit for at least each of the last five years, and relocate to a newly purchased dwelling in Baltimore City. The intent of the credit is to provide an incentive for existing City residents to remain in the City when they are considering relocating by offsetting the loss of the homestead credit that some City residents face when relocating within City limits.

If enacted this legislation would terminate the expiration of the credit. The ordinance would also alter the application requirements by requiring that an application for the Portable Homestead Property Tax Credit be submitted within 90 days of settlement on the newly purchased dwelling, or by September 30, 2022 if settlement on the newly purchased dwelling occurred between July 1, 2020 and June 30, 2022. Additionally, the legislation requires the Dept of Finance to produce a report on the effectiveness of the credit to be submitted to the City Council and various State officials every two years.

Baltimore City's high property taxes are often cited as a challenge to both attracting new and retaining legacy residents. Some current residents can be pushed out of Baltimore City rather than choosing to remain within City limits because they may face higher property taxes if they move within City limits, such as older adults looking to downsize their homes, or younger couples hoping to expand their families into a larger home. One of the approaches the City has taken to addressing this challenge is to make use of its authority to set Homestead Tax Credit ceilings in a way that offers protections from tax increases in the State to longtime residents who remain in their homes.

When residents wish to change homes, they can be forced to forfeit the lower effective tax rates they've built up using the Homestead Tax Credit. This can make remaining in the City appear more expensive than moving to a county with a lower property tax rate. The purpose of this tax

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credit is to provide an incentive for residents of Baltimore City, who are planning to relocate from their existing dwelling to another dwelling, to remain in Baltimore City.

DHCD **defers** to the Department of Finance on the passage of City Council Bill 22-0212.

AK/sm

cc: Ms. Nina Themelis, Mayor's Office of Government Relations

Ms. Natawna Austin, Executive Secretary of the City Council

Brandon M. Scott, Mayor • **Alice Kennedy**, Housing Commissioner

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