

CITY OF BALTIMORE
COUNCIL BILL 14-0157R
(Resolution)

Introduced by: Councilmember Henry, President Young, Councilmembers Holton, Stokes,
Mosby, Middleton, Branch, Clarke, Spector, Reisinger, Scott
Introduced and adopted: March 10, 2014

A COUNCIL RESOLUTION CONCERNING

Support for State Action – HB 920/SB 961 “Baltimore City Residential Retention Act”

FOR the purpose of supporting adoption of House Bill 920/ Senate Bill 961, the Baltimore City Residential Retention Act, or similar legislation, to protect longtime Baltimore City residents from sharp increases in their effective tax rates when they move from one home to another within the City.

Recitals

Baltimore City’s high property taxes are often mentioned as a key challenge to efforts to attract and retain residents. One of the approaches the City has taken to addressing this challenge is to make generous use of its authority to set Homestead Tax Credit ceilings in a way that offers one of the most significant protections from tax increases in the State to longtime residents who remain in their homes.

However, under current law, when residents wish to change homes they are forced to forfeit the lower effective tax rates they’ve built up using the Homestead Tax Credit. This can make remaining in the City suddenly seem much more expensive than moving to a county with a lower base property tax rate. In the current General Assembly session Delegate McIntosh and Senator Ferguson have worked to address this problem through the introduction of the Baltimore City Residential Retention Act.

In the words of Delegate McIntosh:

“The Homestead Tax Credit was designed to encourage homeownership among Maryland residents. Thousands of Baltimoreans have benefitted from the incentive, however under current law, long-time Baltimore City residents with an existing, accumulated Homestead credit are discouraged from relocating in the City and purchasing equivalent-value, or more expensive primary residence due to an often prohibitive increase in real property taxes owed. Older adults looking to downgrade to a smaller home or condo – in the vibrant, walkable areas of the city – as well as younger couples hoping to grow their families but find their homes too small – are pushed out into the Counties, rather than remaining in the Baltimore City where they might otherwise choose to live.

The Baltimore City Residential Retention Act would introduce a pilot program for a “homestead carryover” for a homeowner who lived in the city for the immediately preceding 10-year period and purchases a new, owner-occupied primary residence. The 10-year tax credit would allow homeowners to carry the amount of current credit forward to their new home, with the amount declining by 10 percentage points each tax year

EXPLANATION: Underlining indicates matter added by amendment.
~~Strike out~~ indicates matter deleted by amendment.

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1 thereafter. The credit would be administered by Baltimore City with Homestead values
2 confirmed by SDAT.”

3 Although the details of the program are still under discussion in the General Assembly, any
4 plan holding to the central principle of allowing Baltimoreans who have built up meaningful
5 savings under the Homestead Tax Credit to retain their existing effective tax rate when changing
6 residences within the City would be a real boon to Baltimore’s efforts to retain its residents as
7 they move through the different stages of their lives.

8 Without this ability, too many residents can suddenly feel like they are going from a
9 jurisdiction with a reasonable tax rate they are accustomed to, to one imposing a much higher
10 financial toll, just by moving around the corner. Because of this, residents can feel like they
11 cannot afford to change homes within the City, even when their circumstances require a change.

12 Perversely, Baltimore’s efforts to protect residents from sharp tax increases with a generous
13 Homestead Tax Credit cap can make the change in effective tax rate especially sharp for
14 longtime residents who move, an unfortunate consequence which was never the intent behind the
15 Homestead Tax Credit. It is time that the simple corrective action proposed by the Baltimore City
16 Residential Retention Act be taken to remove this unintended consequence of the current tax
17 laws.

18 Efforts are underway to amend this legislation so that rather than directly creating a
19 portability program, it would enable the Mayor and City Council to enact local legislation
20 implementing the program described. We support these efforts, as they will allow periodic
21 adjustments at the local level to reflect the financial implications of the program’s impact on the
22 City’s tax revenues.

23 **NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BALTIMORE,** That the
24 Council supports adoption of House Bill 920/ Senate Bill 961, the Baltimore City Residential
25 Retention Act, or similar legislation, to protect longtime Baltimore City residents from sharp
26 increases in their effective tax rates when they move from one home to another within the City.

27 **AND BE IT FURTHER RESOLVED,** That a copy of this Resolution be sent to the Governor, the
28 Honorable Chairs and Members of the Baltimore City House and Senate Delegations to the
29 Maryland General Assembly, the President of the Maryland Senate, the Maryland House
30 Speaker, the Mayor, and the Mayor’s Legislative Liaison to the City Council.