



FEBRUARY 10, 2016

Position Statement Supporting House Bill 114

Given before the House Ways and Means Committee

Expanding the homeowners' tax credit would provide relief to struggling residents

Expanding the Homeowners' Tax Credit would help promote economic security for moderate-income Maryland homeowners who are struggling to keep up with the high cost of owning a home while wages remain stagnant and the cost of living continues to rise. For this reason, the Maryland Center on Economic Policy supports House Bill 114.

Although Maryland's housing market has stabilized since the recession, many residents still have a difficult time with the high costs of homeownership. One out of every three homeowners who has a mortgage pays more than 30 percent of their total household income per month toward housing costs. Spending more than 30 percent of one's income on housing is generally considered unaffordable. Maryland's median home value for a mortgaged home is \$297,900, which explains why over 90 percent of homeowners pay more than \$1,000 per month. ^[1] Additionally, there are now more homeowners struggling to make ends meet than in years prior, as the economic recovery has not included all Maryland residents. Since 2006, the percentage of residents living below the poverty line has increased by 29.5 percent. ^[2]

During the recession, thousands of residents lost their homes through a combination of declining economic opportunities, and, in many cases, egregious mortgage rates kicking in on inflated housing prices. Those factors have contributed to Maryland's declining homeownership rate. Home ownership in Maryland dropped by 2.5 percentage points from the 2005-2009 time period to the 2010-2014 period. Also, 15 of Maryland's 24 jurisdictions had statistically significant declines in homeownership rates in the latter five-year period, with the largest percentage drop occurring in the Eastern Shore counties. ^[3]

Maryland's Homeowners' Tax Credit is an opportunity for the state to help families who struggle to maintain their homes while keeping up with the rising cost of things like food, transportation, childcare, and education.

Currently, homeowners with household incomes up to \$60,000 and a net worth below \$200,000 are able to receive a tax credit. House Bill 114 would enable hundreds of thousands of additional homeowners to receive

this credit, as it increases the household net worth limit to \$400,000 and expands household income eligibility to \$80,000. More than 500,000 households throughout the state would become eligible for the credit based on the expanded household income requirement.

House Bill 114 is an important step in assisting many new homeowners, who can easily apply for the credit when they purchase a home, and residents who will soon become homeowners, as the overall cost for families continues to increase. Recent college graduates are burdened with the highest amount of student loan debt than at any other point in history, creating challenges for those who are homeowners or who wish to become homeowners.^[4] On average, the reported debt for new graduates has more than doubled in just 10 years in our state, (from 2004-2014). Additionally, the cost of childcare in Maryland is among the highest in the entire country, now averaging \$9,696 per year for just one child.^[5]

House Bill 114 provides families who have moderate household incomes and are struggling to keep a roof over their heads much-needed relief. In the United States, home ownership is recognized as a significant vehicle for building assets and for encouraging a sense of community and broad participation in society. Like other treasured American values, though, it is getting harder these days to maintain.

The expansion of the homeowners' tax credit supports widely held values by helping more Marylanders to achieve and maintain their stake in the community. **For these reasons, the Maryland Center on Economic Policy respectfully requests that the Ways and Means Committee give a favorable report to House Bill 114.**

1 United States Census Bureau, American Community Survey, Table B25087

2 Maryland Center on Economic Policy. More Marylanders Struggling to Make Ends Meet Despite Growth in Top Incomes. 2015 <http://www.mdeconomy.org/more-marylanders-struggling-to-make-ends-meet-despite-growth-in-top-incomes/>

3 United States Census Bureau. A Status Report on Maryland's Jurisdictions from the American Community Survey, 2010-2014 and a Comparison to 2005-2009. 2015. http://planning.maryland.gov/MSDC/American_Community_Survey/2010-2014/A%20Status%20Report%20on%20Maryland's%20Jurisdictions%20from%20the%20ACS_2010_2014_R.pdf

4 Maryland Department of Legislative Service. College Affordability and Completion in Maryland. 2015. http://dls.state.md.us/data/polanasubare/polanasubare_edu/Affordability-Draft-11-16-15.pdf

5 Economic Policy Institute. Budget Calculator. 2015. <http://www.epi.org/resources/budget/>