Homeowners' Property Tax Credit Needs Cost of Living Adjustment

Position Statement Supporting House Bill 688

Given before the House Ways and Means Committee

Maryland's Homeowners' Property Tax credit provides much needed relief for low-income homeowners. Under current law, households with gross income less than $60,000 a year and assets less than $200,000 are eligible for the credit, depending on how high their property tax bills are. The program is a common sense "circuit breaker" that prevents property taxes from becoming overly burdensome for low income households. The law also limits the credit to an individual's primary residence. While the cost of living has increased substantially in the last ten years, the Homeowners' Property Tax Credit's income limitations remain flat – meaning that the credit now excludes many individuals whom it was intended to help. For these reasons, the Maryland Center on Economic Policy supports House Bill 688.

In 2006, the general assembly passed a law creating the income limit of $60,000. Previously the credit was limited only by assessed value of the property and household assets. [1] Since then, the income limit amount has never been adjusted to account for inflation. In the Baltimore-Washington area, the Consumer Price Index rose 18 percent from 2007 to 2016.[2] This rise reflects the growing costs of everyday necessities like healthcare, housing and transportation. House Bill 688 proposes a cost of living adjustment to the gross income limitation that is one half of the Consumer Price Index year to year difference in the Baltimore-Washington area. This modest increase is further limited by a provision to round down to the nearest multiple of 50.

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

[1] "Senate Bill 382 Fiscal and Policy Note." Maryland General Assembly Legislative Session 2006. http://mgaleg.maryland.gov/2006rs/fnotes/bil_0002/sb0382.pdf
[2] "Consumer Price Index: All Urban Consumers, Washington-Baltimore Area." Bureau of Labor Statistics. Databases, Tables & Calculators by Subject. Accessed February 17, 2017. https://data.bls.gov/pdq/SurveyOutputServlet?data_tool=dropmap&series_id=CUURA311SA0,CUUSA311SA0

$297,900, which explains why over 90 percent of homeowners pay more than $1,000 per month.[3] 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.[4]

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.[5]

House Bill 688 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. Homeownership is a critical vehicle for building assets and encouraging participation in society. The Homeowners' Property Tax Credit is a well-established effective tool for protecting low and moderate income homeowners. Adding a cost of living increase to income limitations is necessary to preserve the functionality of the credit.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee give a favorable report to House Bill 688.

---

3 United States Census Bureau, American Community Survey, Table B25087. https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk.
4 Unites State Census Bureau, American Community Survey, Table S1701. https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_06_EST_S1701&prodType=table.
5 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.