



# City of Hyattsville

## Study of Property Tax Relief Programs for Low- and Fixed-Income Homeowners

**PFM Group Consulting LLC**  
BNY Mellon Center  
1735 Market Street  
42<sup>nd</sup> Floor  
Philadelphia, PA 19103



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## 1. Introduction and Project Background

The property tax is an important component in the overall structure of taxes that support local government. While the property tax has several positive features – including its reliability as a revenue source for local government and its visibility to taxpayers – it also has drawbacks. For example, unlike sales taxes and income taxes, which are determined by taxpayer actions, the property tax is based on property value, and no amount of tax planning can reduce it. While sales taxes are paid in small increments and income taxes are typically withheld from paychecks, property tax bills often come with significant amounts due. Payments must be made in large sums by homeowners who either have no mortgage or do not wrap property taxes into their monthly mortgage payments. Homeowners with low or fixed incomes are most likely to struggle to pay these obligations.

To reduce the undue property tax burden on homeowners, various types of relief programs are common across U.S. states and localities. In Maryland, all local governments are subject to statewide mandatory tax credit programs and are authorized to grant tax credits for certain types of property. The major statewide mandatory credits include the Homeowners' Property Tax (HPT) credit program and Homestead Tax Credit program; local governments may enact a local supplement to the HPT credit program, providing additional relief to eligible homeowners. Maryland local governments also are subject to mandatory and optional tax credits specific to individual counties and municipalities; the authority to grant local tax credits must be provided for in State law.

Despite the availability of multiple property tax relief programs for eligible homeowners, the City of Hyattsville's Housing Action Agenda (completed in April 2021) identifies property tax burden as a priority issue in the city and notes that it threatens to displace some of Hyattsville's most vulnerable residents: its low- and fixed-income homeowners.<sup>1</sup> The Agenda identifies "expanded use of property tax relief for income-qualified homeowners" as a tool that can help reduce the property tax burden on homeowners but characterizes it as a "low effort/low impact" option (meaning that it requires relatively minimal administrative effort but also provides less relief when compared to other types of relief programs).

Further, the Agenda contemplates whether the tax burden persists because existing property tax relief tools do not go far enough to reduce the tax burden or because those tools are not well enough known and utilized by Hyattsville homeowners. Accordingly, among the Agenda's recommendations was that the City "evaluate potential changes to the city's supplemental property tax relief program and modify as needed" as a key implementation step related to the expanded use of property tax relief as a tool to mitigate tax burden in the City. Hyattsville issued a request for proposals and in 2023 partnered with PFM Group Consulting LLC (PFM) to study its property tax relief programs for low- and fixed-income homeowners. As outlined in the scope of work, the four objectives of this analysis were as follows:

1. Determine if the City's current Homestead Tax Credit and Homeowners' Property Tax Credit program caps on home value, tax credit percentage, household income, net worth, or other qualifications should be adjusted.
2. Identify ways and/or recommend adjustments to improve the effectiveness of and participation in the Homestead Tax Credit and Homeowners' Property Tax Credit programs.
3. Discuss whether alternative programs would be more effective or useful for providing property relief to low- and fixed-income homeowners.
4. In collaboration with City staff, and using any available economic data, identify the profile of Hyattsville homeowners that could be considered low- and fixed-income.

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<sup>1</sup> City of Hyattsville, "Housing Action Agenda," (April 2021). Accessed electronically at <https://www.hyattsville.org/DocumentCenter/View/5844/Hyattsville-Housing-Action-Plan---Full-Document>



This report summarizes PFM's findings and recommendations related to these scope elements. It begins by providing key information about the Homestead and HPT credits, including eligibility criteria and requirements as well as a comparison of Hyattsville's programs to other Maryland local governments. The report also identifies other residential property tax relief programs available to the City under State law; documents evidence of their use in other jurisdictions; and addresses considerations related to program design and administration. A summary of PFM's project approach and methodology is provided in [Appendix A](#).



## 2. Homestead Tax Credit

### About the Program

The following provides a high-level overview of the Homestead Tax Credit program. Additional information is supplied in [Appendix B](#).

The intention of Maryland’s Homestead Property Tax Credit program (Md. Code Ann., Tax-Property § 9-105) is to shield homeowners from significant increases in property tax bills by limiting the increase in taxable assessments each year to a fixed percentage. The Program provides tax credits against state, county, and municipal real property taxes for owner-occupied residential properties for the amount of real property taxes attributable to assessed values that exceed an annual assessment percentage increase or “cap” in any given year. For purposes of the State property tax, the limit is 10 percent. Every county and municipality in Maryland is required to limit taxable assessment increases to 10 percent or less each year; the cost of the credits against local property taxes is assumed by the local government. Hyattsville has elected to set its assessment cap at 10 percent. A copy of the City of Hyattsville Code is provided in [Appendix D](#).

#### **The lower the assessment cap, that more generous the benefit provided to homeowners.**

A simplistic example of how the program functions is provided below:

A home whose old assessment was \$100,000 has a new, phased-in assessment (year one) of \$120,000. Assuming a tax rate of \$0.63 per \$100 of assessed value, the following table demonstrates the impact of no credit, a 10 percent cap, and a 5 percent cap. Without the existence of the Homestead Tax Credit, the property tax due would be \$756. Under a 10 percent cap, the taxable assessment would be \$110,000, and the property tax due would be reduced by \$63 to \$693. Under a 5 percent cap, \$105,000 of value would be taxable, resulting in tax due of \$662 – a credit value of \$95.

**Table 1: Homestead Tax Credit Scenario Comparison**

	<b>No Credit</b>	<b>10% Cap</b>	<b>5% Cap</b>
Taxable Assessment	\$120,000	\$110,000	\$105,000
Property Tax	\$756	\$693	\$662
<b>Credit Value</b>	<b>N/A</b>	<b>\$63</b>	<b>\$95</b>

*Note: Basic example for demonstrative purposes only; does not account for any subtractions.*

The effect of the homestead property tax credit is to smooth tax collections so that taxes increase more slowly than the increase in property values when values are appreciating substantially. When property values increase moderately, collections “catch up” as the homestead property tax credit available to taxpayers declines. This gives property owners tax relief and makes revenue estimates more predictable.

### Benchmarking Comparison

The following table and figure provide the credit percentage adopted by Hyattsville and select benchmark jurisdictions. As shown, with the exception of College Park, which has a limit of 0 percent, and Brentwood, which has a limit of 5 percent, Hyattsville and its benchmarks have each adopted a 10 percent limit. Hyattsville’s percentage has been unchanged since 1991. Prince George’s and Howard



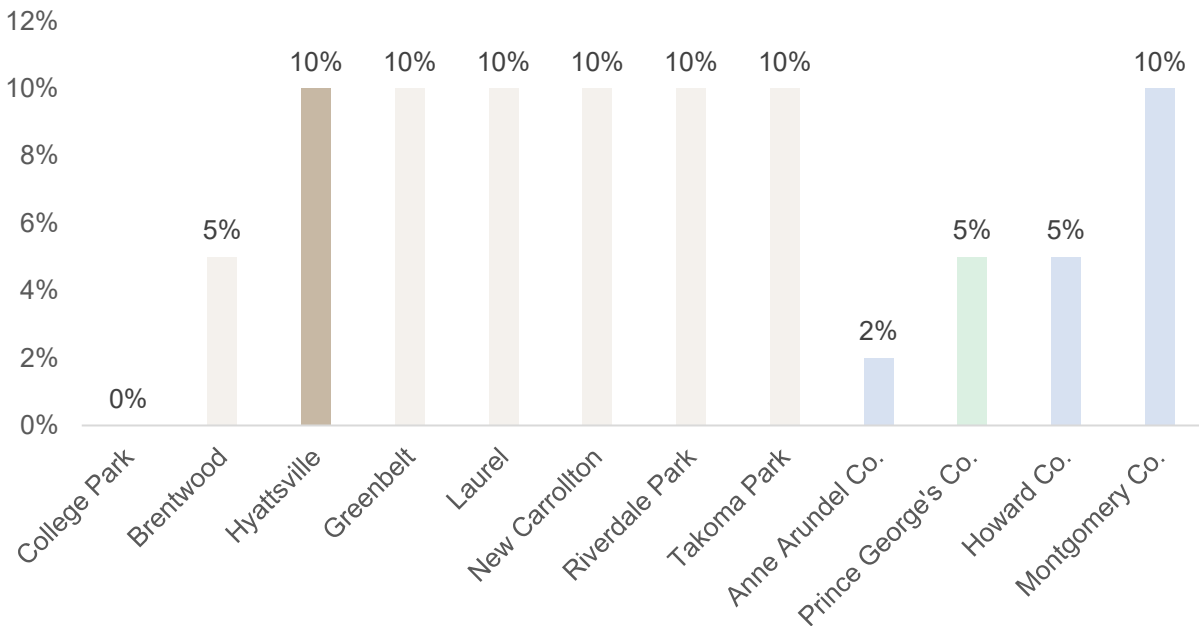
Counties both limit their growth to 5 percent; Anne Arundel County's is lower (2 percent) and Montgomery County's is higher (10 percent).

**Table 2: Homestead Tax Credit Assessment Caps, Select Cities & Counties (eff. July 1, 2023)**

	Assessment Cap
Hyattsville	10%
College Park	0%
Brentwood	5%
Greenbelt	10%
Laurel	10%
New Carrollton	10%
Riverdale Park	10%
Takoma Park	10%
Anne Arundel Co.	2%
Prince George's Co.	5%
Howard Co.	5%
Montgomery Co.	10%

Source: SDAT County and Municipal Homestead Credit Percentages

**Figure 1: Homestead Tax Credit Assessment Caps, Select Cities & Counties (eff. July 1, 2023)**



Further, when taking a County-wide snapshot of local provisions, slightly more than half of the 27 municipalities in Prince George's County cap their respective local assessments at 10 percent. Another 37 percent have adopted a 5 percent cap. The average assessment cap among municipalities in the County is 7.3 percent. The following table provides the assessment cap for each of the municipalities within Prince George's County:



**Table 3: Homestead Assessment Caps, Prince George’s County Municipalities (eff. 7/1/23)**

	%		%		%
Berwyn Heights	10%	District Heights	10%	Laurel	10%
Bladensburg	10%	Eagle Harbor	5%	Morningside	10%
Bowie	5%	Edmonston	5%	Mount Rainier	10%
Brentwood	5%	Fairmount Heights	5%	New Carrollton	10%
Capitol Heights	5%	Forest Heights	8%	North Brentwood	10%
Cheverly	10%	Glenarden	5%	Riverdale Park	10%
College Park	0%	Greenbelt	10%	Seat Pleasant	5%
Colmar Manor	5%	Hyattsville	10%	University Park	10%
Cottage City	10%	Landover Hills	5%	Upper Marlboro	0%
				<b>Average</b>	<b>7.3%</b>



### 3. Homeowners' Property Tax Credit

#### About the Program

The following provides a high-level overview of the program. Additional information is provided in [Appendix C](#).

Maryland law (§ 9-104) provides for a mandatory, State-funded tax credit against State real property taxes for homeowners of all ages who qualify based on a sliding scale of gross household income. The value of the credit is based upon the amount by which property taxes exceed a percentage of income, according to the following formula:

- 0.0 percent of the first \$8,000 of the combined household income
- 4.0 percent of the next \$4,000 of income
- 6.5 percent of the next \$4,000 of income
- 9.0 percent of all income above \$16,000

Before eligibility according to income can be considered, a homeowner must first meet four basic requirements:

1. They must own or have a legal interest in the property.
2. The dwelling on which a homeowner is seeking the tax credit must be their principal residence where they live for at least six months of the year, including July 1 (unless they are a recent home purchaser).<sup>2</sup>
3. Net worth (not including the value of the property on which the homeowner is seeking the credit or any qualified retirement savings or Individual Retirement Accounts) must be less than \$200,000.
4. Combined gross household income cannot exceed \$60,000.

If the eligible homeowner is also a disabled veteran, the credit covers 100 percent of the total real property tax. The surviving spouse of a disabled veteran may, upon application, continue to receive the credit until the surviving spouse remarries.

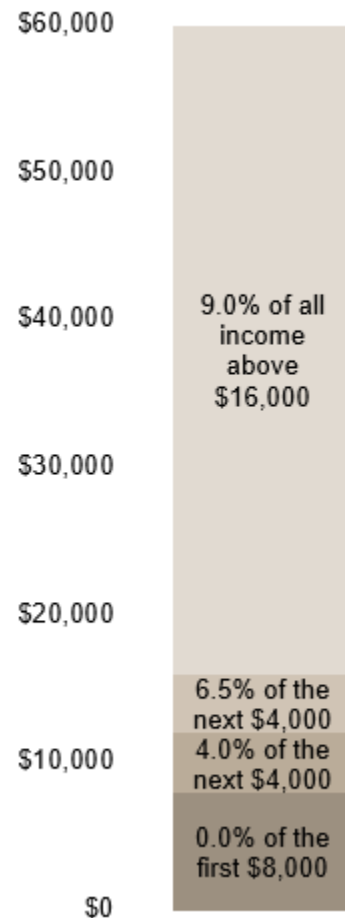
State law also permits municipalities to grant an optional, local supplement to the mandatory State HPT Credit (§ 9-215.1).<sup>3</sup> Participating municipalities are not reimbursed by the State for the revenue foregone. The local supplement is subject to the provisions of the State program, except that the municipality may alter the following eligibility requirements:

- The limitation on the assessed value of a dwelling (as indicated above, the State credit applies only to the taxes resulting from the first \$300,000 of assessed value).
- The percentages and combined income levels (the State credit program has assigned the four income tiers described previously at percentages ranging from 0.0 percent to 9.0 percent).

<sup>2</sup> Qualified home purchasers are encouraged to apply in advance for the Homeowners' Tax Credit before acquiring title to the property. Purchasers must apply at least 30 days before the expected settlement date to receive any credit due at the time of settlement.

<sup>3</sup> Counties are authorized to grant supplemental credits under § 9-215.

Figure 2: Income Tiers







- The limitation on combined net worth or combined gross income of the homeowner (the State credit caps combined gross household income at \$60,000 and net worth at \$200,000).

### HPT Credit & Local Supplement Example

A homeowner whose combined household income is \$16,000 would be receive a state credit for any taxes above \$420, based on the aforementioned formula.

$$(\$8,000 \times 0.0\%) + (\$4,000 \times 4.0\%) + (\$4,000 \times 6.5\%) = \$420$$

For a property tax bill of \$1,000, the state tax credit amount would be \$580.

$$\$1,000 - \$420 = \$580$$

A local supplement equal to 15 percent of the state tax credit amount would result in a local tax credit of \$87.

$$\$580 \times 15\% = \$87$$

### Benchmarking Comparison

The City of Hyattsville’s supplemental credit is equal to 15 percent of the State credit and applies to the first \$350,000 of the assessed value of a principal residence (higher than the State maximum of \$300,000). To be eligible for the local supplement, the income limit is \$80,000 (as opposed to the State limit of \$60,000), and the maximum net worth of the household – excluding the principal residence – cannot exceed \$200,000 (in alignment with the State).

The following table compares Hyattsville’s eligibility requirements and limitations for its supplemental credit relative to those of select jurisdictions.<sup>4</sup> These local supplements commonly align with the state program parameters, with the local credit typically equal to 15 percent or 25 percent of the state credit amount. At 50 percent of the state credit, Takoma Park’s supplemental credit is atypically generous. Notably, not all municipalities offer a local supplement; Laurel and New Carrollton provide nearby examples of jurisdiction not currently providing the local credit. Under State law, counties may also provide the supplemental credit. While Prince George’s County does not currently have this program in place, Baltimore City and 13 counties do.<sup>5</sup>

**Table 4: Supplemental HPT Credit Parameters**

	Assessed Value Limit	Combined Net Worth Limit	Combined Gross Income Limit	Percentages & Income Levels
Hyattsville	<b>\$350,000</b>	\$200,000	<b>\$80,000</b>	15% of state HPT credit
Bowie	\$300,000	\$200,000	\$60,000	25% of state HPT credit
College Park	\$300,000	\$200,000	\$60,000	15% of state HPT credit
Greenbelt	\$300,000	\$200,000	\$60,000	25% of state HPT credit
Mount Rainier	\$300,000	\$200,000	\$60,000	15% of state HPT credit
Rockville	<b>\$495,000</b>	\$200,000	\$60,000	25% of state HPT credit
Takoma Park	\$300,000	\$200,000	\$60,000	<b>50% of state HPT credit</b>

<sup>4</sup> Some jurisdictions offer a supplemental credit targeting seniors specifically. These examples are discussed in Section 4 of this report.

<sup>5</sup> Counties include Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Charles, Frederick, Garrett, Harford, Howard, Kent, Montgomery, and Washington.



## 4. Alternative Property Tax Relief Programs

In accordance with the project scope referenced previously, the following section: (1) identifies additional and/or alternative property tax relief programs (beyond the Homestead and HPT credits) available to Maryland municipalities; and (2) provides a discussion of whether these options would be more effective or useful for providing property tax relief to Hyattsville’s low- and fixed-income homeowners.<sup>6</sup> Two tax credit approaches are common among jurisdictions offering property tax relief programs specifically targeting seniors: a standalone tax credit, and a local HPT supplement for seniors. While less common, some jurisdictions provide a credit for long-term elderly residents and veterans. In addition, some jurisdictions provide property tax deferrals to qualified senior homeowners. Additional information about each of these approaches is provided below.

- Senior Citizens’ Local Supplement to the HPT Credit (§ 9-215):** As discussed, Maryland cities and counties are given a fair amount of latitude when setting the eligibility criteria and other qualifications for their optional, supplemental HPT credit programs. In addition, a jurisdiction can further limit eligibility for the local supplement to homeowners: (1) who have reached a certain age; (2) who have resided in their dwellings for more than a certain number of years; and (3) whose assessments have increased more than a certain percentage over a certain period of time. In other words, state law gives local governments the ability to craft supplemental HPT credit “carve outs” targeting seniors; longtime residents; and/or homeowners most likely to struggle to meet property tax obligations.

**Table 5: Senior Citizens’ Local Supplement to the HPT Credit, Select Jurisdictions**

	Min. Age	Min. Years in Home	Income Limit	Net Worth Limit	Assessed Value Limit	Credit Amount
City of Frederick <sup>7</sup>	70	None	\$40,000	\$200,000	None	25%
Anne Arundel Co.	70	10	Same as local supplement			130% of local supplement
Frederick Co.	65	None	\$100,000; indexed to inflation	\$200,000	\$500,000	30% or 50% based on income

Anne Arundel County restricts eligibility to taxpayers who have owned their homes for a minimum number of years. Homeowners who qualify for the local supplement to the HPT credit are also eligible for an enhanced local supplement if they are at least 70 years old and have resided in their dwelling for more than ten years. The enhanced local supplement is equal to 130 percent of the local supplement amount.

Frederick County has modified its eligibility criteria since introducing its program in order to align the parameters with reality and also to reach more taxpayers with the credit. The assessed value limit increased from \$300,000 to \$500,000, and the income limit was raised from \$80,000 to \$100,000. The County’s approach to this program provides multiple other noteworthy features. For example, the combined gross household income limit is adjusted each year to reflect changes

<sup>6</sup> Note: the specific program names used can vary from jurisdiction to jurisdiction.

<sup>7</sup> City of Frederick. Accessed electronically at <https://www.cityoffrederickmd.gov/1434/Tax-Credits-Incentives>



in the Consumer Price Index (CPI). The adjusted value of each combined gross household income value is determined by multiplying the income amount by a fraction:

$$\frac{\text{CPI as of January of year for which adjustment being made}}{\text{CPI as of January of preceding year for which adjustment being made}}$$

The amount of the credit is then tiered based on the income calculated using the preceding formula.<sup>8</sup> For those with combined gross household income of \$50,000 or less, the credit is equal to 50 percent. For households with income greater than \$50,000 but less than \$100,000, the credit is equal to 30 percent. Previously, those with incomes of \$30,000 or less were eligible for a 40 percent credit and those with incomes of between \$30,000 and the previous income cap of \$80,000 qualified for a credit of 20 percent.

**Table 6: Frederick County Supplemental HPT Credit for Seniors**

	Assessed Value Limit	Credit Amount (Income-Based)	
Current Credit	\$300,000	\$30,000 or Less	\$30,000- \$80,000
		40% credit	20% credit
Effective 7/1/24	\$400,000	\$50,000 or Less	\$50,000- \$100,000
		50% credit	30%

Source: Frederick County Senior Tax Credit Fact Sheet

In evaluating the need for these program eligibility changes, the County considered whether a credit for a homeowner earning less than \$30,000 would be applicable to homeowners. The County noted that being a homeowner and having a maximum gross income of only \$30,000 is a very challenging and likely rare combination. Increasing the lowest income threshold from \$30,000 to \$50,000 recognizes this point and aims to reach a more intentional population of homeowners.

- Credit for Individuals at Least 65 Years Old (§ 9-245):** A county or municipality may provide tax credits for homeowners who are at least 65 years old and of limited income. The locality may provide for: (1) the amount and duration of the credit; (2) additional eligibility for the credit; (3) regulations and procedures for the application and uniform processing of requests for the credit; and (4) any other necessary provision. As shown in the following table, the local examples identified by the project team are county-level programs, rather than municipal property tax credits.

**Table 7: Senior Property Tax Credit Program Parameters, Select Jurisdictions**

	Credit %	Min. Age	Min. Years in Home	Asset Test	Other Eligibility Requirements
Dorchester Co.	5%	70	None	None	None
Howard Co.	25%	65	None	Net worth ≤ \$500,000	Income ≤ 500% of poverty guideline
Montgomery Co.	50%	65	None	None	None
Prince George's Co.	20% (5 years)	65	10	Assessed value ≤ \$500,000	None

<sup>8</sup> County Council for Frederick County, "Amend Senior Citizens' Local Supplement to Homeowners' Property Tax Credit." Accessed electronically at [https://frederickcountymd.gov/DocumentCenter/View/342515/02072023---22-12-13\\_McKay\\_Amend-Senior-Citizens-Local-Supplement-to-Homeowners-Property-Tax-Credit](https://frederickcountymd.gov/DocumentCenter/View/342515/02072023---22-12-13_McKay_Amend-Senior-Citizens-Local-Supplement-to-Homeowners-Property-Tax-Credit)



Among these jurisdictions, of note are the following senior tax credit program specifications:

- Prince George's County's program is new effective July 1, 2023. Unlike the other examples provided, the County has opted to limit the duration of the credit (to five years), and also requires eligible applicants to have lived in their homes for at least 10 years. The County's program uses assessed value as an asset test; it might be \$500,000 or less at the time of application.<sup>9</sup>
- At 50 percent, Montgomery County's credit is the most generous, in terms of value – and also has relatively few eligibility requirements (i.e., at least 65 years old; no asset test or minimum length of residency). Dorchester County's minimum age is 70 instead of 65, and the value of the credit – 5 percent – is significantly lower than the other program examples identified.
- In Howard County, instead of setting a flat dollar amount for the income limit, the combined income of a household cannot exceed 500 percent of the most recent poverty guidelines for a household of two individuals.<sup>10</sup> Further, as an asset test, household net worth cannot exceed \$500,000 (there is no requirement pertaining to assessed value).
- **Credit for Elderly Individuals and Veterans (§ 9-258):** Localities may provide property tax credits for certain elderly individuals and veterans. Prior to the passage of SB 901, which repealed a provision that established the maximum amount of property tax credit and the period for which an individual is eligible to receive the credit, it was capped at 20 percent, and the maximum period allowed was five years.<sup>11</sup> The bill eliminated these provisions. Under the law, an “eligible individual” means:
  - An individual who is at least 65 years old.
  - An individual who is at least 65 years old and is a retired member of the uniformed services, the military reserves, or the National Guard.
  - A surviving spouse of a retired member of the uniformed services, the military reserves, or the National Guard who is at least 65 years old and has not remarried.
  - An individual who is an active duty, retired, or honorably discharged member of the uniformed services, the military services, or the National Guard and has a service-connected disability; or a surviving spouse who has not remarried.

Localities may provide for: (1) the maximum assessed value of a dwelling that is eligible; (2) the minimum number of years, not to exceed 40, that an eligible individual must have resided in the same dwelling; (3) criteria that define a service-connected disability of an eligible individual; and (4) additional eligibility criteria for the credit. For tax year 2023 and after, HB 1186 of the 2022 legislative session altered this credit by authorizing local governments to determine the amount and duration of the property tax credit.<sup>12</sup>

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<sup>9</sup> Prince George's County, “2023 Elderly Property Tax Credit Application.” Accessed electronically at <https://www.princegeorgescountymd.gov/DocumentCenter/View/45501/Elderly-Property-Tax-Credit-Application-?bidId=>

<sup>10</sup> Poverty guidelines are updated periodically in the Federal Register by the U.S. Department of Health and Human Services under 42 U.S.C. 9902(2).

<sup>11</sup> Maryland State Legislature, “Senate Bill 901.” Accessed electronically at [https://mgaleg.maryland.gov/2022rs/Chapters\\_noln/CH\\_268\\_sb0901t.pdf](https://mgaleg.maryland.gov/2022rs/Chapters_noln/CH_268_sb0901t.pdf)

<sup>12</sup> Maryland State Legislature, “House Bill 1186,” (May 12, 2022). Accessed electronically at <https://legiscan.com/MD/bill/HB1186/2022>. Effective June 1, 2022, the bill authorized counties and municipalities to determine the amount and duration of the optional property tax credit for elderly individuals, veterans, and surviving spouses. Previously, state law capped the credit at 20 percent of local taxes; mandated that the credit be granted only for up to 10 years; and capped the maximum assessed value of an eligible dwelling at \$650,000.



The following table compares key parameters of the tax credit programs offered in other Maryland jurisdictions.

**Table 8: Elderly Individuals and Veterans Credit Benchmarking, Select Jurisdiction**

	<b>Credit % (+ duration if applicable)</b>	<b>Min. Age</b>	<b>Max. Income</b>	<b>Min. Years in Home</b>	<b>Max. Assessed Value</b>
District Heights <sup>13</sup>	20% for 5 years	65	None	10	\$500,000
Laurel <sup>14</sup>	20% for 5 years	65	None	10	\$500,000 at application
Mt. Rainier <sup>15</sup>	20% for 5 years	65	None	30	\$700,000
Anne Arundel Co. <sup>16</sup>	15% for 5 years	65	None	None	\$500,000
Frederick Co. <sup>17</sup>	20%	65	\$80,000	30	\$400,000
Harford Co. <sup>18</sup>	20% for 5 years	65	None	40	\$400,000
Howard <sup>19</sup>	20%	65	None	30	\$650,000
Montgomery Co. <sup>20</sup>	20% for 7 years	65	None	40	Varies
Prince George's Co. <sup>21</sup>	20% for 5 years	65	\$80,000	10	\$500,000 at application

\* Percent of the local property tax imposed on the dwelling, inclusive of any Homestead or HPT credit provided.

There are several key distinctions among the preceding approaches, including the following:

- The City of Laurel and Prince George's County provide examples of programs whose assessed value maximums increase over time, rather than being set at a specific dollar value. In Laurel, the maximum value of an eligible dwelling is \$500,000 at the time an individual first applies for the credit. For purposes of qualifying in years two through five, the maximum value increases on July 1 of each year by the lesser of CPI or 3.0 percent. Similarly, in Prince George's County, the initial maximum value is \$500,000 and that maximum increases annually on July 1 by the CPI for the preceding calendar or 3.0 percent, whichever is less.<sup>22</sup>
- The assessed value limitation in Montgomery County depends on the basis of qualification for the credit. For owners that are at least 65 years of age and have owned and lived in the same dwelling for at least 40 consecutive years, the tax credit is only

<sup>13</sup> City of District Heights, "Elderly Property Tax Credit (New)," (June 20, 2023). Accessed electronically at <https://www.districtheights.org/home/news/elderly-property-tax-credit-new>

<sup>14</sup> City of Laurel, "Ordinance No. 2003." Accessed electronically at <https://www.cityoflaurel.org/system/files/files/ordinanceno2003.pdf>

<sup>15</sup> City of Mount Rainier, "Property Tax Credit for Seniors and Military Retirees." Accessed electronically at <https://www.mountrainiermd.org/home/showpublisheddocument/2948/638088739072500000>

<sup>16</sup> Anne Arundel County. Accessed electronically at <https://www.aacounty.org/sites/default/files/2023-03/retired-veteran-tax-credit-application-year-1.pdf>

<sup>17</sup> Frederick County, "Uniformed Service Member Tax Credit Information Sheet." Accessed electronically at <https://frederickcountymd.gov/DocumentCenter/View/337160/Uniformed-Service-Member-Info-Sheet?bidId=>

<sup>18</sup> Harford County, "Senior Citizens and Veterans Tax Credit." Accessed electronically at <https://www.harfordcountymd.gov/DocumentCenter/View/10949/Senior-Citizen-and-Veteran-Tax-Credit-Rules-and-Regulations?bidId=>

<sup>19</sup> Howard County, "Aging in Place Tax Credit." Accessed electronically at <https://www.howardcountymd.gov/finance/tax-credits>

<sup>20</sup> Montgomery County, "Senior Tax Credit Programs." Accessed electronically at <https://www.montgomerycountymd.gov/Finance/senior.html>

<sup>21</sup> County Council of Prince George's County, "An Act Concerning a Property Tax Credit for Elderly Individuals," (May 31, 2022). Accessed electronically at <https://www.princegeorgescountymd.gov/DocumentCenter/View/42412/CB-029-2022-Property-Tax-Credit-for-Elderly-Individuals-PDF>

<sup>22</sup> Prince Georges County, "Property Tax Credit for Elderly Individuals," (2022). Accessed electronically at <https://www.princegeorgescountymd.gov/DocumentCenter/View/42412/CB-029-2022-Property-Tax-Credit-for-Elderly-Individuals-PDF>



available if the dwelling has an assessment of \$700,000 or less at the time of the application for the credit. For owners that are at least 65 years of age and are military retirees the tax credit is only available if the dwelling has an assessment of \$550,000 or less, at the time of the application for the credit.<sup>23</sup> The assessed value limit was \$650,000 for eligible senior residents who have lived in their homes for at least 40 years and \$500,000 for eligible retired military members prior to modification made in January 2023. Additionally, with the passage of SB 901, Montgomery County opted in July 2022 to extend the validity of their credit from a maximum of five years to a maximum of seven.<sup>24</sup>

- In 2022, Howard County reduced the consecutive years a county resident must live in their home before qualifying for the credit from 35 years to 30 and increased the maximum duration of the credit from five to eight years and increased the maximum value of a home eligible for the credit from \$500,000 to \$650,000.<sup>25</sup>
- **Credit for Disabled Veterans and Surviving Spouses (§ 9-265):** Localities may provide credits equal to 50 percent of the local property tax if the disabled veteran's service-connected disability rating is at least 75 percent, but not more than 99 percent or 25 percent of the local property tax if the disability rating is at least 50 percent but not more than 74 percent. Eligible homeowners qualify if: (1) the dwelling is owned by a disabled veteran; (2) the disabled veteran's federal adjusted gross income for the immediately preceding taxable year does not exceed \$100,000; and (3) required supplemental documentation is provided. Disabled veterans must have been honorably discharged and declared to have a permanent service-connected disability of at least 50 percent that results from blindness or any other disabling cause.

Localities may continue to provide the credit to the surviving spouse of the disabled veteran. They may also provide for: (1) the duration of the tax credit; (2) regulations and procedures for the application and uniform processing of requests for the tax credit; and (3) the definition of surviving spouse and the amount and duration of the credit for the surviving spouse.

This tax credit program is offered in Anne Arundel and Frederick Counties (it is referred to as the "Disabled Veterans and Their Surviving Spouses Property Tax Credit" and "Partially Disabled Veteran Property Tax Credit," respectively).<sup>26,27</sup> Surviving spouses are eligible to continue receiving the credit in both jurisdictions.

- **Credit for Dwelling Owned by a Surviving Spouse or Cohabitant of a Fallen Law Enforcement Officer or Rescue Worker (§ 9-210):** Localities may provide tax credits for dwellings owned by a disabled law enforcement officer or rescue worker, a surviving spouse of a fallen law enforcement officer or rescue worker; or a cohabitant. To be eligible, the dwelling must have been acquired by the disabled law enforcement officer or rescue worker within 10 years of the date the disabled law enforcement officer or rescue worker was adjusted to be permanently and totally disabled or by the surviving spouse or cohabitant within 10 years of the fallen law enforcement officer's or rescue worker's death.

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<sup>23</sup> Montgomery County Department of Finance, "Property Tax Credit for Elderly Individuals and for Military Retirees." Accessed electronically at <https://www.montgomerycountymd.gov/Finance/bill-42-16.html>

<sup>24</sup> Montgomery County Council, "Bill 1-23, Property Tax Credit," (January 17, 2023). Accessed electronically at [https://www.montgomerycountymd.gov/council/Resources/Files/agenda/col/2023/20230117/20230117\\_2A.pdf](https://www.montgomerycountymd.gov/council/Resources/Files/agenda/col/2023/20230117/20230117_2A.pdf)

<sup>25</sup> Maryland Association of Counties, "Howard Expands Tax Credit to Help Older Residents Age in Place," (November 4, 2022). Accessed electronically at <https://conduitstreet.mdcounties.org/2022/11/04/howard-expands-tax-credit-to-help-older-residents-age-in-place/>

<sup>26</sup> Anne Arundel County, "Disabled Veterans and Their Surviving Spouses Property Tax Credit Application." Accessed electronically at <https://www.aacounty.org/sites/default/files/2023-03/disabled-veterans-tax-credit-application-reapply.pdf>

<sup>27</sup> Frederick County, "Partially Disabled Veteran Tax Credit Information Sheet." Accessed electronically at <https://frederickcountymd.gov/DocumentCenter/View/335014/Partially-Disabled-Vet-Credit-Information-Sheet?bidId=>



Localities may provide for: (1) the amount and duration of the credit; (2) any additional limitation to the number of years the dwelling was acquired within the date of an adjudication of disability or death; and (3) any other provision necessary. This particular credit was found to be offered in the City of Bowie and the following 13 counties:

- Anne Arundel
- Baltimore City
- Calvert
- Carroll
- Charles
- Frederick
- Garrett
- Harford
- Howard
- Montgomery
- Prince George's
- Queen Anne's
- Washington

In Howard County, the credit is equal to 100 percent of the taxes up to \$6,000 on the dwelling and curtilage.<sup>28</sup> Effective in FY2024, HB 508 requires a local government to define, by law, who is a law enforcement or rescue worker. The bill also altered eligibility for the tax credit to include certain disabled law enforcement officers or rescue workers who were domiciled in the state as, or any time within the five years before the officer or worker died or was determined to be disabled.<sup>29</sup>

- **Credit for Property Equipped with Accessibility Features (§ 9-250):** This optional program provides a property tax credit for residential real property equipped with an accessibility feature. An eligible “accessibility feature” is defined in statute as (1) a no-step entrance allowing access into a residence; (2) interior passage doors providing at least a 32-inch wide clear opening; (3) grab bars around a toilet, tub, or shower installed to support at least 250 pounds; (4) light switches, outlets, and thermostats placed in wheelchair accessible locations; (5) lever handles on doors; and (6) universal design features or any accessibility enhancing design feature prescribed by the Department of Housing and Community Development under § 12-202.

Localities may provide for the amount and duration of the credit; additional eligibility criteria for the credit; regulations and procedures for the application and uniform processing of requests for the tax credit; and any other provision necessary to carry out the credit.<sup>30</sup>

Credits for property equipped with accessibility features are offered in Prince George's, Howard, and Montgomery Counties. The following table compares key parameters for programs in these select jurisdictions.

<sup>28</sup> Howard County Maryland, “Tax Credits.” Accessed electronically at <https://www.howardcountymd.gov/finance/tax-credits>

<sup>29</sup> Maryland General Assembly DLS, “Fiscal and Policy Note – HB 508.” Accessed electronically at

<sup>30</sup> Maryland Statutes, accessed electronically at <https://law.justia.com/codes/maryland/2022/tax-property/title-9/subtitle-2/section-9-250/>



**Table 9: Accessibility Features Tax Credit**

	<b>Requirements</b>	<b>Credit Amount</b>
Prince George's Co. <sup>31</sup>	- Expense must be on list of applicable features - Must be installed within 12 months preceding application	Lesser of 50% of eligible costs or \$2,500
Howard Co. <sup>32</sup>	- Expense must be on list of applicable features - Must be installed within 12 months preceding application	Lesser of 100% of eligible costs or \$2,500
Montgomery Co. <sup>33</sup>	- Expense must be on list of applicable features - Must be installed within 12 months preceding application	Lesser of 50% of eligible costs or \$2,500 Program capped at \$100,000 annually

- **Senior Property Tax Deferrals (§ 10-204.2):** Municipalities may authorize a property tax deferral for elderly or disabled homeowners. To qualify, a homeowner must have resided in the dwelling for at least five consecutive years; meet income eligibility requirements; and satisfy at least one of the following:
  - Is at least 65 years old;
  - Has been found permanently and totally disabled and has qualified for social security and other federal benefits programs; or
  - Has been found permanently and totally disabled by a county health officer.<sup>34</sup>

Under § 10-204, counties may also grant deferrals, and many have enacted them. For example, Prince George's County's deferral is available to owners who have resided in their homes for at least five consecutive years if the homeowner is at least 65 years of age; has been found permanently and totally disabled and has qualified for certain benefits; or has been found permanently or totally disabled. Household income cannot exceed \$45,000. Interest accrues on the deferred taxes at the rate of 9 percent per year.

Prince George's County law further requires the County to "establish and promote a countywide public information, awareness, and education campaign" on the deferral program. The campaign is required to disseminate information about the property tax deferral through written notice in the annual property tax bill, publication on the appropriate county websites, posters, and any other medium likely to reach resident taxpayers who may be eligible for the deferral program.<sup>35</sup> Other county examples include:

- Anne Arundel County provides a 50-year deferral for eligible homeowners. To qualify, a homeowner must have resided in the dwelling for a period of at least five consecutive years and meet one of the following conditions: (1) at least 62 years of age; (2) has been found permanently and totally disabled and has qualified for benefits under the Social Security Act, the Railroad Retirement Act, any federal act for members of the U.S. Armed Forces, or any federal retirement system; or (3) has been found permanently and totally

<sup>31</sup> Prince George's County, "Residential Property Tax Credits." Accessed electronically at

<https://www.princegeorgescountymd.gov/departments-offices/finance/property-tax-credits/residential>

<sup>32</sup> Howard County, "Livable Homes Tax Credit Application for Accessibility Features." Accessed electronically at

<https://www.howardcountymd.gov/departments-finance/resource/2021-livable-home-credit>

<sup>33</sup> Montgomery County, "Design for Life Tax Credit Incentive Program." Accessed electronically at

<https://www.montgomerycountymd.gov/design/Resources/Files/PDF/DFLTaxCreditIncentiveTable.pdf>

<sup>34</sup> Or the Baltimore City Commissioner of Health.

<sup>35</sup> Prince George's County Code, Real Property Tax Deferral for Elderly or Disabled Homeowners." Accessed electronically at

[https://library.municode.com/md/prince\\_george\\_s\\_county/codes/code\\_of\\_ordinances?nodemd=PTIIT117PULOLAPRGECOMA\\_SUBTITLE\\_10FITA\\_DIV8TAASLECO\\_SD1APRTA\\_S10-197REPRTADEELDIHO](https://library.municode.com/md/prince_george_s_county/codes/code_of_ordinances?nodemd=PTIIT117PULOLAPRGECOMA_SUBTITLE_10FITA_DIV8TAASLECO_SD1APRTA_S10-197REPRTADEELDIHO)





disabled by a County Health Officer or the Baltimore City Commissioner of Health. The homeowner must also meet the income eligibility requirement of no more than \$55,000.<sup>36</sup>

- Queen Anne’s County offers a tax deferral program that is available to people over 65 years of age and/or permanently and totally disabled who have lived in their dwelling for at least five years. To qualify, income must be \$100,000 or less. The program defers any county tax increase for payment at a later date (in up to 50 years) with interest of 2.0 percent per annum from the first payment due date until paid in full. Interest is charged monthly.<sup>37</sup>

The following table compares key parameters for programs in select jurisdictions.

**Table 10: County Property Tax Deferral Programs, Select Examples**

	Min. Years in Home	Min. Age	Max. Income	Deferral Term/ Interest	Other Details
Prince George’s Co.	5	65	\$45,000	9% interest	If permanently & totally disabled, no age requirement
Anne Arundel Co.	5	62	\$55,000	50 years	If not 62, permanently & totally disabled
Montgomery Co.	5	65	\$80,000	No interest	Cumulative taxes cannot exceed 50% of FMV
Queen Anne’s Co.	5	65	\$100,000	50 years; 2% interest	If not 65, permanently & totally disabled

Relatedly, passed in 2021, HB 571 allows Montgomery County to authorize an abatement of any overdue property tax for taxable years beginning on or after July 1, 2018, (a) on a dwelling transferred to a disabled active-duty service member, disabled veteran, or surviving spouse who applies for an qualifies for a specified property tax exemptions and (b) for which the transferee is liable.<sup>38</sup>

- **Credit for Offsets of Local Income Tax Rate Increases (§ 9-221):** Localities may provide property tax credits to offset in whole or part increases in the county or municipal income tax revenues resulting from a local income tax rate in excess of 2.6 percent. The credit is available only to the owner-occupied property of a homeowner if the homeowner has an application for the Homestead credit on file with SDAT. Localities may provide for: (1) the amount of the credit; and (2) any other provisions necessary.<sup>39</sup>
  - In Baltimore City, the Targeted Homeowners Tax Credit (THTC) is automatically granted to every owner-occupied property that has applied and been approved for the Homestead credit, as required. Each year, the City proposes a new THTC amount, which is then

<sup>36</sup> Anne Arundel County, “50 Year Payment Deferral.” Accessed electronically at <https://www.aacounty.org/finance/tax-information/tax-credits-exemptions>

<sup>37</sup> Queen Anne’s County, “Application for Queen Anne’s County Tax Deferral.” Accessed electronically at <https://www.qac.org/DocumentCenter/View/6843/Tax-deferral-application?bidId=>

<sup>38</sup> Maryland Legislature, “HB 571: Montgomery County – Disabled Active Duty Service Members, Disabled Veterans, and Surviving Spouses – Property Tax Abatement [MC 20-21].” Accessed electronically at [https://mgaleg.maryland.gov/2021RS/fnotes/bil\\_0001/hb0571.pdf](https://mgaleg.maryland.gov/2021RS/fnotes/bil_0001/hb0571.pdf)

<sup>39</sup> Montgomery County, “Income Tax Offset Credit.” Accessed electronically at <https://www.montgomerycountymd.gov/Finance/itoc.html>



subtracted from the base property tax rate. In FY2020, the effective owner-occupied property tax rate was \$2.048 per \$100 of assessed value.<sup>40</sup>

- Frederick County provides a \$175 property tax credit for an owner-occupied property with a property assessment on the July 1, 2021 real estate tax bill of \$328,512 or less.<sup>41</sup>
- Since 2009, Montgomery County has provided an income tax offset credit (ITOC) to residents who live in the property they own. The credit shifts a portion of the County's property tax burden to non-homeowners (including commercial property owners and residential renters). The Council sets the credit as a specific amount (currently \$692), rather than as a percentage of value; consequently, the credit adds a degree of progressivity to the property tax.
- **Clean Water Act Fee (CWF) Hardship Exemption:** State law requires nine counties – including Prince George's – and the City of Baltimore to collect a fee from property owners to implement a program to help clean up stormwater runoff pollution from impervious areas. In Prince George's County, residential property owners who can demonstrate substantial financial hardship as a result of the CWF may be eligible for financial hardship status. To qualify, a homeowner must have received the state HPT credit during the tax year for which the CWF is billed, and it must be applied for annually. Upon determination of homeowner eligibility, the County's Office of Finance provides a suspension of the fee in its entirety for the eligible tax year.<sup>42</sup>

State law also provides for mandatory exemptions for eligible disabled veterans and blind homeowners:

- **Exemption for Disabled Veterans (§ 7-208):** Veterans who have been certified by the U.S. Department of Veterans Affairs as completely and permanently disabled are eligible for a full exemption of real property taxes on a single residential property owned and occupied by the certified veteran (or a surviving spouse). The property owner must submit a one-time application for this exemption to the State for approval (the owner will be exempt from all taxes but will still owe all fees such as solid waste charges). These veterans may apply at any time and do not have to meet the September 1 filing deadline. Un-remarried surviving spouses also may apply for this exemption. Surviving spouses of military personnel killed in the line of duty may apply for an exemption.<sup>43</sup>

In 2023, SB 32 altered the application requirements by adding a rating decision of the disabled veteran's disability from the U.S. Department of Veterans Affairs, including the effective date of the rating decision, to the types of supporting documents that can be included with the application.

- **Exemption for the Blind (§ 7-207):** Maryland homeowners with a central visual acuity of 20/200 or less in the better eye are eligible to receive, with a doctor's certification, an exemption of \$15,000 of assessment reduction on the dwelling house and surrounding yard. Legally blind

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<sup>40</sup> Baltimore City Department of Finance, "Targeted Homeowner's Tax Credit." Accessed electronically at [https://finance.baltimorecity.gov/sites/default/files/THTC\\_080320.pdf#:~:text=This%20property%20tax%20credit%20is,property%20axes%20the%20resident%20owes.&text=The%20Board%20of%20Estimates%20will%20set%20an%20annual%20rate%20every%20year.](https://finance.baltimorecity.gov/sites/default/files/THTC_080320.pdf#:~:text=This%20property%20tax%20credit%20is,property%20axes%20the%20resident%20owes.&text=The%20Board%20of%20Estimates%20will%20set%20an%20annual%20rate%20every%20year.)

<sup>41</sup> Frederick County Code. Accessed electronically at [https://codelibrary.amlegal.com/codes/frederickcounty/latest/frederickco\\_md/0-0-0-2587](https://codelibrary.amlegal.com/codes/frederickcounty/latest/frederickco_md/0-0-0-2587)

<sup>42</sup> Prince Georges County, "Clean Water Act Fees & Exemptions" Accessed electronically at <https://www.princegeorgescountymd.gov/departments-offices/environment/stormwater-management/clean-water-act/fees-exemptions>

<sup>43</sup> Maryland SDAT, "Application for Exemption for Disabled Veterans." Accessed electronically at <https://dat.maryland.gov/SDAT%20Forms/Disabled-Veteran.pdf>



persons may apply at any time and are not required to meet the general September 1 filing deadline. A person who receives this tax relief cannot receive the same relief under the Disabled Veteran or Surviving Spouse Tax Exemption.<sup>44</sup>

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<sup>44</sup> Maryland SDAT, "Application for Exemption for Blind Persons." Accessed electronically at <https://dat.maryland.gov/SDAT%20Forms/Blind-Persons.pdf>



## 5. Key Considerations for Hyattsville

When it comes to providing property tax relief for low- and fixed-income homeowners, program design elements – namely eligibility criteria, administration (i.e., the application process for homeowners), and outreach and education efforts – play a significant role in determining the overall effectiveness of and participation in the program(s). Each of these is discussed below.

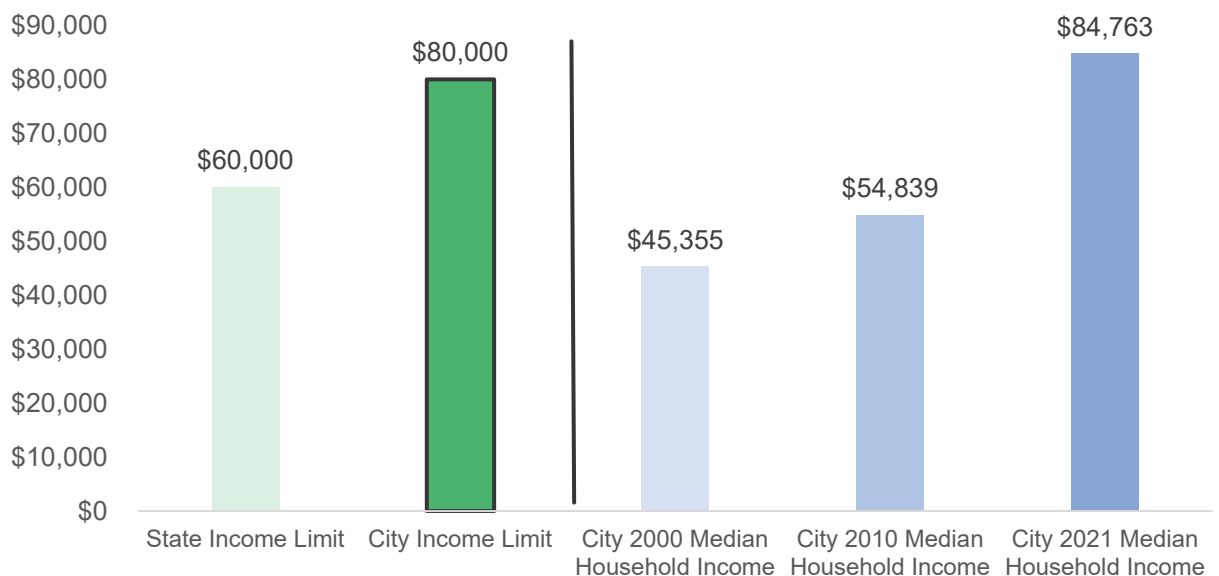
### Eligibility Criteria

- **Income Limits:** As noted previously, the State HPT credit caps household income at \$60,000. The City of Hyattsville has set the income cap for its supplemental HPT credit at \$80,000, which is generous relative to the State credit and other jurisdictions with local supplements. Income ceilings that are too low deny relief to moderate-income households with heavy property tax burdens. Setting the ceiling around the state median household income is a reasonable middle ground that contains program costs without excluding moderate-income households.

By having a fixed income limit, however, the value of a credit is degraded over time. When tax credit programs limit the credit's availability to households of a maximum gross income, that maximum level should be adjusted over time to reflect the impact of inflation. Otherwise, the credit becomes more restrictive over time than when it was originally proposed and rolled out.

The value of Hyattsville's credit has been degraded over time. In 2010, just after the City enacted the supplemental credit, the median household income in the city was approximately \$55,000 – roughly \$25,000 below the \$80,000 income limit. However, because that limit is a fixed dollar amount, it has not increased over time, while incomes have. As of 2021, the median household income in the city is nearly \$85,000 – now more than the city's limit for the program (the mean was \$106,790).<sup>45</sup>

**Table 11: Comparison of Select Economic Characteristics – Household Income**



Sources: U.S. Census Bureau American Community Survey 5-Year Estimates

<sup>45</sup> Per 2021 American Community Survey 5-Year Estimates. U.S. Census Bureau, "QuickFacts, Hyattsville Maryland." Accessed electronically at <https://www.census.gov/quickfacts/fact/table/hyattsvillecitymaryland/PST045222>



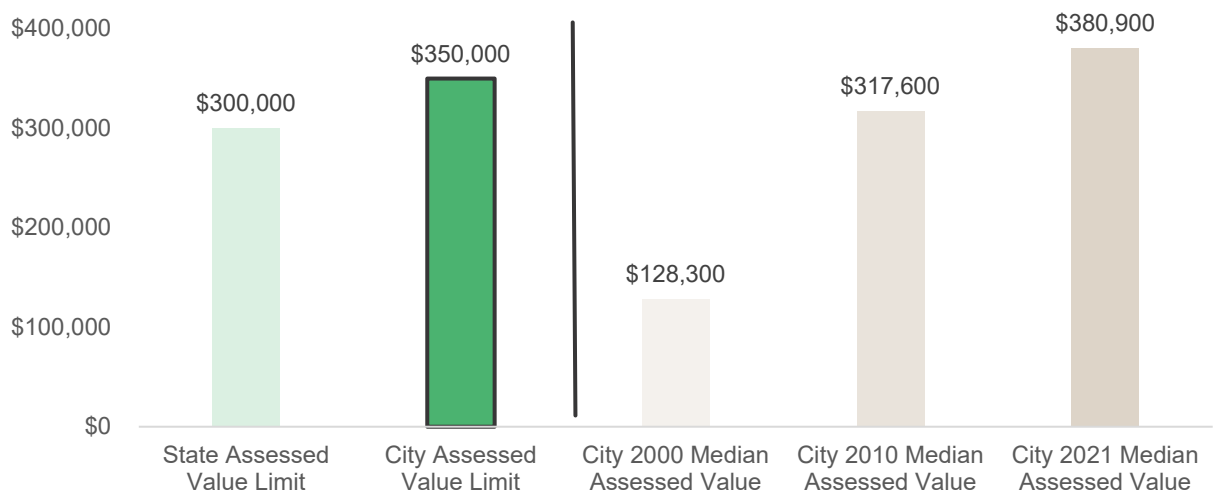
- Net Worth Limits:** Regarding eligibility for the HPT credit program, the state and city both limit household net worth to \$200,000. As indicated previously, no sample jurisdictions were identified who have established net worth requirements different than what is required for eligibility for the state credit.

Setting a limit on household net worth is rational in theory, to avoid using scarce resources to lower the tax burden on owners with significant wealth but limited cash income. However, net worth tests can greatly increase administrative complexity, particularly if nonliquid assets are included, and may discourage participation because of more burdensome application requirements and privacy concerns. In Hyattsville’s case, the State largely administers the City’s programs, so such changes would likely result in minimal increases in administrative burden, if at all.

- Assessed Value Limits:** The State credit applies to the first \$300,000 of assessed value. Hyattsville’s \$350,000 assessed value limit is generous relative to other jurisdictions and the State credit. Setting a maximum property value for eligibility is one method to avoid providing property tax relief for high-value homes. However, the assessed value limits currently in place are misaligned with Hyattsville as it exists today. The median value of owner-occupied housing units in Hyattsville for the years 2017-2021 was higher than this, at \$380,900. Further, the City’s flat \$350,000 cap does not account for inflationary and other changes over time – as home values increase, taxes increase – but the cap stays the same.

In 2010, just after the City enacted the supplemental credit (2008), the median assessed value in the city was approximately \$318,000 – more than \$30,000 below the \$350,000 assessed value limit. However, because that limit is a fixed dollar amount, it has not increased over time, while assessed values have. As of 2021, the median assessed value in the city has increased to more than \$380,000 – now more than \$30,000 higher than the \$350,000 assessed value limit.

**Table 12: Comparison of Select Economic Characteristics – Assessed Value**



Sources: U.S. Census Bureau American Community Survey 5-Year Estimates

- Age Requirements:** Some alternative programs described previously are limited to homeowners who are at least 65 years old. Generally, while seniors often pay a larger portion of their income in property taxes than younger homeowners, housing costs as a share of income are roughly the same for both groups, because seniors are less likely to have mortgage obligations. Seniors also tend to have greater net worth (and lower rates of poverty). For these reasons, best practices



suggest that age is a flawed proxy for determining whether property tax relief is necessary. For tax credit programs that calculate relief based on income (as is the case with the HPT credit and several of the other programs identified), income and property tax bills are considered to be much better indicators of property tax burden than age. Regarding property tax deferrals, limitation to seniors reflects the likelihood that this portion of the homeowner population may be relatively income-poor, despite having significant home equity.

- **Residency Requirements:** While not applicable to Hyattsville's current credits, some alternative programs described previously are limited to taxpayers who have owned their homes for a minimum number of years. Theoretically, residency requirements lower the risk that by reducing homeowners' taxes immediately, relief programs will encourage taxpayers to buy more expensive homes than they can afford. These provisions also direct benefits to long-time homeowners, such as seniors and low-income homeowners in gentrifying areas. However, this approach excludes more recent purchasers who may be dealing with financial challenges (though they may still qualify for the local supplement).
- **Calculation of Benefits:** Best practices suggest that benefits should be tiered based on income, yet most jurisdictions do not use a tiered structure. For example, localities providing local supplements to the State HPT credit set their respective credits as a percentage of the State credit. The higher the percentage, the larger the value of the credit. Hyattsville has elected to set its credit at 15 percent of the State credit.

Instead of this approach, best practices indicate that use of multiple-threshold income tiers is an effective means to control program costs while also targeted relief to low-income households. A multiple-threshold formula is more progressive and provides greater relief to households with the least ability to pay property taxes. These programs set multiple threshold percentages that increase from the lowest income bracket to the highest, with thresholds applied incrementally, as in the case of a graduated income tax. A few examples have been identified in the benchmarking research.

## Administrative Effectiveness

When discussing administrative effectiveness, it is important to recognize that a trade-off often exists between cost effectiveness, participation rates, and administrative complexity. When comparing the general strengths and weaknesses of the Homestead and HPT credits and other programs:

- Broad-based credits like the Homestead credit generally have relatively high participation rates and simple administration because the application process is simple, but it is not particularly cost effective. Providing a small amount of relief to all homeowners can be costly in the aggregate while still leaving some households with unaffordable tax bills.
- Income-based programs like the HPT credit target low-income homeowners and are therefore relatively cost effective. However, these programs often have lower participation rates and, for many governments, are comparably more complex to administer.
- Research indicates the best approach uses a property tax exemption or credit to deliver benefits to homeowners. Deferrals are also very cost effective. If the full amount deferred is eventually collected and if the interest charged covers administrative expenses and the municipality's costs of borrowing funds in the interim, they impose no long-term costs on other taxpayers. However, they are the most difficult to administer and typically have very low participation rates.



These nuances are important to keep in mind when evaluating potential modifications to existing programs and/or developing new credits, including how programs are administered. Further, Maryland municipalities have a limited role in the administration of property tax relief programs available to homeowners. As a result, considerations and concerns related to increases in administrative burden may not be as significant to Maryland cities and counties as in other places.

There are a variety of administrative reasons why localities typically have low participation in these programs by eligible homeowners. Common impediments include:

- A homeowner does not have access to an application – paper or electronic.
- The application process is too complex for a homeowner to understand and navigate. This is particularly challenging for credits like the HPT credit, which must be applied for annually.
- Homeowner does not feel comfortable providing the information/evidence required to qualify for the credit.

Eliminating institutional barriers to tax relief can prevent many owner-occupied tax foreclosures. As is typically the case for programs with income limits on eligibility, the HPT credit and local supplement to the HPT require that homeowners apply annually to qualify (using the same application). Generally, participation in property tax relief programs tends to be highest with simple application procedures. These best practices include:

- Application procedures should be user-friendly, with a sufficiently long application period and online access.
- Align eligibility requirements across programs and align application deadlines where possible.
- Jurisdictions should avoid requiring documentation for information they can easily obtain.
- Continued enrollment after a household has qualified once in a base year can increase participation and reduce administrative costs but requires verification to reduce fraud.

Frederick County has taken steps in recent years to align the eligibility requirements of its various programs to simplify the process for homeowners – but misalignments still exist. As shown in the following table, effective FY2025, the County will increase the income and assessment limits to align with other programs. As a result, in FY2025, the maximum income limit for the local supplement to the HPT and credit for partially disabled veterans is \$100,000, but for the elderly individuals credit, it is just \$80,000. While it is unknown whether Frederick County residents have had challenges related to navigating eligibility requirements across programs, but its portfolio provides an example of a scenario that could potentially be confusing to applicants.

**Table 13: Frederick County Property Tax Credits Comparison**

	<b>State HPT</b>	<b>Local Supplement - Seniors</b>	<b>Elderly Individuals</b>	<b>Uniformed Service Members</b>	<b>Partially Disabled Veterans</b>
Min. Age	None	65	65	65 and retired member OR any age w/ service-connected disability	Any age w/ service-connected disability*
Max. Income	\$60,000	\$80,000 (FY24) \$100,000 (FY25)	\$80,000	None	\$100,000



	State HPT	Local Supplement - Seniors	Elderly Individuals	Uniformed Service Members	Partially Disabled Veterans
Asset Limit	\$200,000	\$200,000	None	None	None
Assessment Limit	\$300,000	\$300,000 (FY24) \$400,000 (FY25)	\$400,000	\$400,000	None
Additional Requirements	One application. State determines eligibility for both/either		Must be on deed and live in home 30 years	Eligible for surviving spouse if not remarried and meets requirements	Eligible for surviving spouse if not remarried and meets requirements
Admin. Agency	SDAT		County Treasury Department		

Source: Frederick County Treasury Department

\* Declared by Dept. of Veterans Affairs to have permanent service-connected disability b/t 50-99%

A 2020 audit of SDAT by the Department of Legislative Services perhaps serves as evidence of the complications and/or complexity associated with administering the State’s property tax relief programs – the HPT credit, specifically. The audit found SDAT improperly calculated HPT credits in at least two jurisdictions (Montgomery County and Baltimore City). Auditors found credits awarded to nearly 5,400 applicants in Montgomery County alone were improperly reduced by a total of \$4.4 million in FY2019. The error dates back to at least 2005, according to the report. Auditors were unable to readily determine the amount by which HTC’s were improperly reduced for years prior to FY2019. In response to the auditor’s findings, SDAT indicated that, beginning with the 2020 application, it would change procedures so that only the Homestead credit is considered a deduction, but not any other real property credits.<sup>46</sup>

This came after a 2013 performance audit of SDAT’s administration of the HPT credit program, which found that SDAT had not established a formal compliance program to administer the HTC program. “Specifically, SDAT has not established written procedures for the processing of HTC applications, delineated the roles and responsibilities of DAT headquarters and the local assessment offices to verify continued eligibility of properties for the HTC, not established procedures to monitor the local assessment offices’ related activities. Furthermore, local assessment offices were not consistently using available sources of information to help identify properties that may not be eligible to receive the HTC, and SDAT headquarters had not developed automated matching techniques using available data sources to detect ineligible properties.”<sup>47</sup>

### Outreach and Education

In addition to potential administrative impediments, another key reason why a localities may have low participation in relief programs is a lack of education and awareness. Outreach and education are critical for increasing participation in relief programs – particularly those like the local supplement to the HPT which require annual action by homeowners. Education includes not only awareness of the programs, but what their requirements are, and what eligible homeowners must do in order to participate in the programs. Still, participation rates statewide are hampered by a lack of education/awareness related to the existence of the program, as well as complexity of the application process.

Maryland homeowners can look up their property online using SDAT’s [Real Property Search](#) function to verify whether or not they have already qualified for the Homestead and/or HPT credit(s). However, this assumes the homeowner is aware of the existence of the programs, which is often not the case. It also

<sup>46</sup> Maryland Department of Legislative Services, “Audit Report: State Department of Assessments and Taxation,” (October 2022).

<sup>47</sup> Maryland Department of Legislative Services, “Performance Audit Report: SDAT Homestead Property Tax Credits,” (February 2013).





assumes the homeowner has the ability to perform this search, which also may not be the case, particularly for vulnerable residents.

Each year, SDAT holds a tax credit awareness campaign meant to urge residents to consider whether they may be eligible for the HPT credit. To undertake this effort, the Comptroller pulls income eligibility data, while SDAT pulls property eligibility data. This information is cross-referenced by the Comptroller to create a list of Maryland homeowners who may be eligible to receive an HPT credit but have not yet applied. SDAT then attempts to notify these homeowners of their potential eligibility for the property tax credit. In 2021, SDAT sent a list of 682,135 accounts to the Comptroller’s Office for identification, and the Comptroller’s Office indicated there were 119,228 homeowners that SDAT had to notify for potential eligibility for the property tax credit. SDAT then mailed postcards to the approximately 120,000 homeowners. The Comptroller’s Office does not have data on the number of homeowners not required to be notified (approximately 560,000) who did not file an income tax return during the three most recent taxable years.<sup>48</sup>

Relatively little information is available regarding who qualifies for and participates in local property tax relief programs in Maryland. SDAT has indicated that it has seen fewer eligible applicants for the Homestead credit because the legislated formula has not been adjusted in many years.<sup>49</sup> Statewide, approximately 45,000 individuals receive the state HPT credit each year, and SDAT reports that the average state HPT credit is approximately \$1,350. The FY2023 State budget includes \$64.7 million for the program.

Evidence from other jurisdictions suggests that new, alternative programs are often not well-utilized. Examples are provided in the following table.

**Table 14: Sample Program Utilization Statistics, Select Jurisdictions**

Program	Examples
Local HPT Supplement for Seniors	<ul style="list-style-type: none"> <li>Frederick County: ~2,300 individuals (2022); noted it requested from SDAT but did not receive data regarding the number of residents who qualified for the two tiers of the credit from that total.</li> </ul>
Senior Tax Credit	<ul style="list-style-type: none"> <li></li> </ul>
Elderly Individuals and Veterans	<ul style="list-style-type: none"> <li>Frederick County: Unable to determine how many individuals qualified as elderly and in their homes 40 years.</li> </ul>
Disabled Veterans and Surviving Spouses	<ul style="list-style-type: none"> <li>Frederick County: 3 retired service members (2022); 92 retired service members and 31 disabled veterans (2023) <i>[County suspects increase is because Treasury continued to accept applications]</i>.</li> </ul>
Fallen Law Enforcement Officer or Rescue Worker	<ul style="list-style-type: none"> <li>Prince George’s County: 6 credits totaling \$15,200 (2021); 5 credits totaling \$13,800 (2022).</li> <li>Frederick County: 3 participants (2023).</li> </ul>

In acknowledgement of the meaningful and continued challenges related to identifying who qualifies for and participates in the programs, recent state-level efforts seek to improve overall program usage. HB 665 of 2023 requires the Comptroller and SDAT to confer during the 2023 legislative interim to identify ways the Comptroller could collaborate with SDAT to enhance access to and raise awareness of property tax benefits available to taxpayers. The Comptroller and SDAT are tasked with identifying ways to encourage taxpayers to apply and make the application process for the HPT credit simpler and more

<sup>48</sup> Maryland General Assembly, “HB 483 – Homeowners’ Property Tax Credit – Identification of Eligible Homeowners.” Accessed electronically at <https://mgaleg.maryland.gov/mgawebsite/Legislation/Details/HB0483?ys=2022RS>

<sup>49</sup> SDAT, “Seventy-Eighth Annual Report, FY2022,” (July 5, 2023). Accessed electronically at [https://dat.maryland.gov/Documents/statistics/AnnualRpt\\_FY2022.pdf](https://dat.maryland.gov/Documents/statistics/AnnualRpt_FY2022.pdf)



user-friendly by reducing or eliminating the need for the applicant to separately report income information to SDAT on the HPT credit application that the applicant has already reported to the Comptroller. The Comptroller and SDAT must submit a joint report of their findings and recommendations to the House Ways and Means Committee and the Senate Budget and Taxation Committee by December 1, 2023. The report must include the amount of funding required and the timeline to implement any changes in policies or procedures recommended in the report.<sup>50</sup>

As has been discussed, there are a variety of optional (and some mandatory) property tax relief programs available to Maryland counties. Prince George's County, for example, has opted to provide property tax credits for eligible elderly homeowners, disabled homeowners, and surviving spouses of fallen officers.<sup>51</sup> In addition to county-level programs, the state offers homeowner-specific supports and services. While not under the City's purview, by educating Hyattsville's low- and fixed-income homeowners with about their potential eligibility for additional resources, the City can promote increased participation. Examples of state property tax relief/support programs include (but are not limited to):

- The Maryland Homeowner Assistance Fund (HAF) loan and grant program is designed to help homeowners that are experiencing financial hardship after January 21, 2020. The Fund helps homeowners struggling with their mortgage payments or other housing-related costs due to the COVID-19 pandemic. It offers support for mortgage relief, weatherization, housing counseling, and legal services.
- The State Tax Sale Ombudsman's Homeowner Protection Program provides loans to remove homeowners in tax sale from the tax sale process for three years, connect them with resources and support, and help them keep their homes. To be eligible, the applicant's home must be in tax sale or at risk of tax sale; the dwelling must be the applicant's principal residence; and the current assessed value must not exceed \$300,000. In addition, the homeowner's combined household income must not exceed \$60,000 annually, and the total value of assets must not exceed \$200,000. Priority enrollment is given to homeowners aged 60 or older; currently receiving disability benefits from the federal Social Security Disability Insurance program or the federal Supplemental Security Income program; or whose dwelling has been their principal residence for 10 years or more.<sup>52</sup>

Nonprofit organizations can help increase awareness among eligible homeowners and provide other assistance related to keeping low- and fixed-income residents in their homes. As one example, Economic Action Maryland (formerly the Maryland Consumer Rights Coalition, or MCRC) operates the Securing Older Adult Resources (SOAR) program, Fair Housing, and Tenant Advocacy programs.<sup>53</sup> The Pro Bono Resource Center of Maryland's Home Preservation Project runs year-round pro bono legal clinics to help homeowners facing tax sale. Over the past six years, the organization has assisted approximately 700 homeowners at risk of losing their homes.

Evidence suggests outreach to potential program participants by local governments is effective. As one example, research regarding Colorado's statewide Property Tax Deferral for Seniors showed the participation was considerably higher in Boulder County than elsewhere. To raise awareness about relief options, the County treasurer and assessor give annual presentations to seniors and distribute

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<sup>50</sup> Maryland General Assembly DLS, "HB 665 Fiscal and Policy Note." Accessed electronically at [https://mgaleg.maryland.gov/2023RS/fnotes/bil\\_0005/hb0665.pdf](https://mgaleg.maryland.gov/2023RS/fnotes/bil_0005/hb0665.pdf)

<sup>51</sup> Prince George's County, "Residential Property Tax Credits." Accessed electronically at <https://www.princegeorgescountymd.gov/departments-offices/finance/property-tax-credits/residential>

<sup>52</sup> Maryland OneStop, "State Tax Sale Ombudsman – Homeowner Protection Program," (last revised August 8, 2023). Accessed electronically at <https://onestop.md.gov/forms/state-tax-sale-ombudsman-homeowner-protection-program-63dacc5b81bf9019f6185d3>

<sup>53</sup> Economic Action Maryland, "Who We Are." Accessed electronically at <https://econaction.org/about/#who-we-are>



informational brochures about the programs. These efforts are thought to have made an impact on participation rates.<sup>54</sup>

Additionally, there are several examples of Maryland jurisdictions that have undertaken their own outreach and education efforts. These include:

- The City of Takoma Park has created and posted to its website a [one-page summary](#) of the state and county property tax credits available to its residents. The summary includes links to the applications that are required for each program.
- Frederick County has a [matrix](#) that residents can use to compare the parameters of the various programs for which they may be eligible.
- Howard County has developed a [Tax Credit Eligibility Calculator](#) that provides a single source to preliminarily determine eligibility for multiple property tax relief programs. The County does not capture or store any identifying taxpayer information in the process of determining eligibility via this questionnaire.

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<sup>54</sup> Lincoln Institute of Land Policy, "Property Tax Relief for Homeowners," (2021).



## 6. Findings and Recommendations

The scope of work for this study includes determining if current Homestead and HPT credit caps or other qualifications should be adjusted and identifying ways and/or recommending adjustments to improve the effectiveness of and participation in these programs. Further, the scope entails discussing whether alternative programs would be more effective or useful for providing relief to low- and fixed-income homeowners. Based on the preceding considerations, the following provides key findings and recommendations for the City of Hyattsville to help it work toward achieving the objectives outlined above.

### Key Findings

- The City's ability to modify the Homestead Credit's parameters is limited to adjusting the local assessment cap. The cap must be between 0 and 10 percent, and the City's cap is currently set at the maximum 10 percent. Reducing the local assessment cap has the effect of increasing the value of the credit for taxpayers, which aligns with the City's desire to provide additional property tax relief to homeowners, and also with the results of a benchmarking analysis in Prince George's County.
- By using income ceilings to restrict eligibility to taxpayers whose income falls below a given level, a larger share of tax relief is directed to lower-income taxpayers. Eligibility for the HPT credit (and local supplement to the HPT credit) is based on income, and is therefore targeted to assist those in need, unlike the Homestead credit (which is available to homeowners regardless of income). Hyattsville's local supplement to the HPT credit is relatively generous compared to other jurisdictions. However, the City has tied income, net worth, and assessed value criteria to fixed amounts and the credit has effectively become less effective over time as a result.
- As a general best practice, property tax relief programs should require annual inflation adjustments for income ceilings, benefit limits, and other dollar figures that are used to determine eligibility and/or calculate benefits (such as the net worth and assessed value limitations); otherwise, property tax relief will become increasingly inadequate over time.
- Evidence from jurisdictions that have adopted alternative tax relief programs (not just for seniors, but other population groups such as veterans) suggests that use of these programs is relatively low. Given these experiences, there is a question as to how much benefit would actually be provided to Hyattsville's homeowners through adoption of an alternative property tax relief program(s).
- Some alternative programs are limited to homeowners who are at least 65 years old – but best practices suggest age is a flawed proxy for determining need. Housing costs as a share of income are roughly the same for seniors and younger homeowners, and seniors tend to have greater net worth and level rates of poverty.
- Homeowner education and outreach are critical to the success of any property tax relief program. The easiest way to help low- and fixed-income homeowners is to make sure they are aware of the programs and their potential eligibility. Hyattsville homeowners should be aware not just of the Homestead and HPT credits, but also property tax relief programs provided by the County and State.
- The application process is likely an impediment to participation for some. Qualifying for the HPT credit program each year is the responsibility of homeowners, including low- and fixed-income homeowners. These residents are often least able to easily apply and/or have the fewest



resources to provide support. Most programs with income ceilings also require an annual application, which increases administrative costs for administering agencies and can significantly reduce participation rates. Given their limited administrative role, however, localities in Maryland do not have the ability to modify application frequency.

- Detailed data on program usage is very limited at best, so it makes it hard to know who is benefitting from the programs, and who could be – as well as the impacts of making adjustments. Because the program is administered at the state level, localities do not have access to information about which residents are taking advantage of the program. In addition to these conceptual challenges, technical impediments to analysis also exist. For example, because the Homestead and HPT credits are largely administered at the state level, gaining access to basic program usage data proves to be difficult, as tax roll data is heavily protected by SDAT. In fact, the City requested certain information from SDAT as part of this study to enable more robust analysis, but that request was not fulfilled, despite multiple follow-ups by the City.
- With the passage of HB 665, the State has signaled its intent to improve access to property tax relief benefits, and there is potential that this effort will result in the availability of new information about who participates in – and is eligible to participate in – the Homestead and HPT credit programs. The bill requires the Comptroller and SDAT to work during the 2023 legislative interim to identify ways to enhance access to the program, and to provide a joint report of findings and recommendations on or before December 1, 2023.
- As noted in the City’s Housing Action Agenda, renters are becoming a larger share of the city’s households. While property tax relief programs are designed primarily for homeowners, it is crucial to also consider the treatment of renters. Even though renters do not receive property tax bills, they pay a share of property taxes indirectly when these costs are passed on by their landlords in the form of higher rents. This appears to be an interest area for other Maryland localities. In 2023, Montgomery County Council voted to implement a sweeping rent stabilization law governing how much most property owners can charge county residents who rent their homes. And presently, Baltimore City Council is crafting an inclusionary housing policy consisting of two bills. The first requires market rate residential developments of more than 20 units to have at least 10 percent of units available for affordable housing, while the complementary bill would create a 30-year tax credit meant to offset the lost rent between affordable and market-rate rents.

### Summary Recommendations

Topic	Recommendation(s)
<b>Homestead Tax Credit</b>	<ul style="list-style-type: none"> <li>• Reduce local assessment cap from the current 10 percent to 5-7 percent for FY2025.</li> </ul>
<b>Local Supplement to the HPT Credit</b>	<ul style="list-style-type: none"> <li>• Increase the \$350,000 assessed value limitation.</li> <li>• Increase the \$200,000 net worth limitation.</li> <li>• Increase the \$80,000 income limitation.</li> <li>• Review (and potentially update or otherwise refine) the assessed value, net worth, and income limitations every three years.</li> </ul>
<b>Alternative Programs</b>	<ul style="list-style-type: none"> <li>• Do not adopt new, alternative programs at this time. Reconsider their merits when more information is available.</li> </ul>
<b>Program Effectiveness &amp; Participation</b>	<ul style="list-style-type: none"> <li>• Monitor state’s efforts related to HB 665 (report due December 2023).</li> <li>• Identify and evaluate options and opportunities renters/rentals.</li> </ul>



## Appendices

### Appendix A: Summary of PFM Project Approach and Methodology

PFM Group Consulting LLC was engaged by the City of Hyattsville (City) to analyze two existing property tax relief programs for homeowners: the Homeowners' Tax Credit and Homestead Tax Credit. It also discusses other mechanisms for providing property tax relief to Hyattsville's low- and fixed-income homeowners. PFM worked closely with the City Treasurer's Office on the analysis, and also sought the opinions and perspectives of City Council membership.

The report aims to accomplish the following objectives:

- In collaboration with City staff, use available economic and other data to attempt to identify the profile of property owners that could be considered low- and fixed-income property owners.
- Identify ways and/or recommend adjustments to improve the effectiveness of – and participation in – the current property tax programs available to low- and fixed-income homeowners.
- Determine if the City's current program caps on home value, tax credit percentage, household income, net worth, or other qualifications should be adjusted.
- Determine if other property tax relief initiatives would be more effective or useful for low- and fixed-income homeowners in providing financial relief from year-over-year increases in property tax payment liabilities.

Given that the focus of this work is homeowners, it does not contemplate programs for renters. It also does not do a "deep dive" into Maryland property taxes generally.

PFM's approach to conducting this work entailed several key project tasks, including stakeholder and subject matter expert interviews, data collection and analysis, a best practices review, and a benchmarking assessment. Six cities were initially selected as benchmarks during the project planning process: College Park, Greenbelt, Laurel (Prince George's County), New Carrollton, Riverdale Park, and Takoma Park.<sup>55</sup> The following table compares key demographic and other information for Hyattsville and the benchmark cities.

**Table 15: Select Demographic and Economic Indicators, Benchmark Cities**

City	Population (2022)	Median Home Value	Median Household Income	Poverty Rate
Hyattsville	20,675	\$380,900	\$84,763	9.2%
College Park	34,190	\$359,300	\$69,736	25.3%
Greenbelt	24,360	\$244,800	\$75,832	16.0%
Laurel	29,352	\$296,300	\$85,615	9.8%
New Carrollton	13,403	\$312,800	\$73,629	7.0%
Riverdale Park	7,171	\$372,100	\$87,819	11.8%
Takoma Park	17,390	\$625,200	\$86,644	7.9%

Source: U.S. Census Bureau QuickFacts

Due to the offering of tax relief programs in other jurisdictions, however, the project team expanded its benchmarking analysis to include other cities and counties.

<sup>55</sup> Brentwood excluded due to lack of data for cities and towns with fewer than 5,000 people.



## Appendix B: Additional Homestead Property Tax Credit Program Detail

Under the provisions of Maryland law (§ 9-105), the Homestead Property Tax Credit program is intended to shield homeowners from significant increases in property tax bills by limiting the increase in taxable assessments each year to a fixed percentage.

Every county and municipality in Maryland is required to limit taxable assessment increases to 10 percent or less each year. For purposes of the State property tax, the limit is 10 percent. In 2020, the Maryland General Assembly mandated that an assessment cap of 10 percent apply to taxes imposed by a bi-county commission, such as the Maryland-National Capital Park and Planning Commission.

The dwelling must be the owner's principal residence and the owner must have lived in it for at least six months of the year. The credit is not applicable in the first year following the purchase of a new home. The program is administered by SDAT, and homeowners must apply only once during their time in their property.

Technically, the Homestead Credit does not limit the market value of the property as determined by SDAT. Instead, it is a credit calculated on any assessment increase exceeding 10 percent (or the lower cap enacted by a local government) from one year to the next. The credit is calculated based on the 10 percent limit for purposes of the State property tax, and 10 percent or less (as determined by local governments) for purposes of local taxation. In other words, the homeowner pays no property tax on the market value increase which is above the limit.

SDAT provides the following example to explain how the credit works:<sup>56</sup>

*Assume that your old assessment was \$100,000, and that your new phased-in assessment for the first year is \$120,000. An increase of 10 percent would result in an assessment of \$110,000. The difference between \$120,000 and \$110,000 is \$10,000. The tax credit would apply to the taxes due on the \$10,000. If the tax rate was \$1.04 per \$100 of assessed value, the tax credit would be \$104 ( $\$10,000 \div 100 \times \$1.04$ ).*

The following table provides the assessment cap for each of the municipalities within Prince George's County:

**Table 16: Homestead Assessment Caps, Prince George's County Municipalities (eff. 7/1/23)**

	%		%		%
Berwyn Heights	10%	District Heights	10%	Laurel	10%
Bladensburg	10%	Eagle Harbor	5%	Morningside	10%
Bowie	5%	Edmonston	5%	Mount Rainier	10%
Brentwood	5%	Fairmount Heights	5%	New Carrollton	10%
Capitol Heights	5%	Forest Heights	8%	North Brentwood	10%
Cheverly	10%	Glenarden	5%	Riverdale Park	10%
College Park	0%	Greenbelt	10%	Seat Pleasant	5%
Colmar Manor	5%	Hyattsville	10%	University Park	10%
Cottage City	10%	Landover Hills	5%	Upper Marlboro	0%
				<b>Average</b>	<b>7.3%</b>

<sup>56</sup> SDAT, "Maryland Homestead Property Tax Credit Program." Accessed electronically at <https://dat.maryland.gov/realproperty/Pages/Maryland-Homestead-Tax-Credit.aspx>



## Appendix C: Additional State Homeowners' Property Tax Credit Program Detail

Maryland law (§ 9-104) provides for a mandatory tax credit against State real property taxes for homeowners of all ages who qualify on the basis of gross household income. Generally, eligibility for the tax credit will be based upon all monies received in the applicant's household in a given year.<sup>57</sup> The value of the credit is based upon the amount by which property taxes exceed a percentage of income, according to the following formula:

- 0.0% of the first \$8,000 of the combined household income
- 4.0% of the next \$4,000 of income
- 6.5% of the next \$4,000 of income
- 9.0% of all income above \$16,000

Before eligibility according to income can be considered, a homeowner must first meet four basic requirements:

1. They must own or have a legal interest in the property.
2. The dwelling on which a homeowner is seeking the tax credit must be their principal residence where they live for at least six months of the year, including July 1 (unless they are a recent home purchaser).<sup>58</sup>
3. Net worth (not including the value of the property on which the homeowner is seeking the credit or any qualified retirement savings or Individual Retirement Accounts) must be less than \$200,000.
4. Combined gross household income cannot exceed \$60,000.

The following figure illustrates the tax limit at income levels in \$1,000 increments up to the \$60,000 income threshold. As examples, the specific tax limit is \$780 at \$20,000 of income; \$2,580 at \$40,000 of income; and \$4,380 at the maximum \$60,000 of income.

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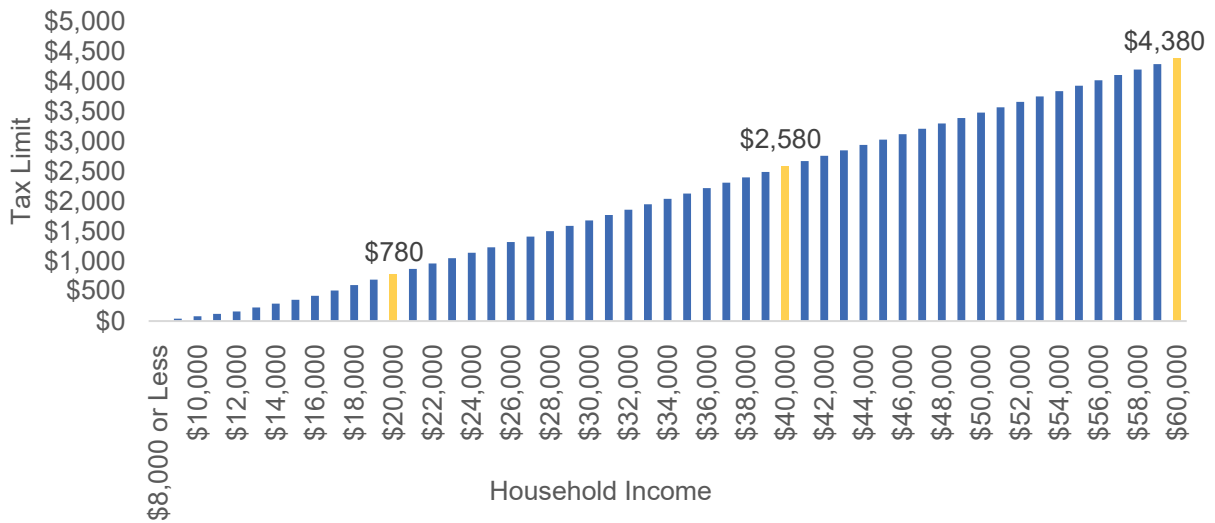
<sup>57</sup> For purposes of the tax credit program, applicants must report total income, which means the combined gross income before any deductions are taken. Income information must be reported for the homeowner and spouse and all other occupants of the household unless they are dependents, or they are paying rent or room and board. Income from all sources must be reported whether or not the monies received are included as income for Federal and State income tax purposes. Nontaxable retirement benefits such as Social Security and Railroad Retirement must be reported as income for the program.

<sup>58</sup> Qualified home purchasers are encouraged to apply in advance for the Homeowners' Tax Credit before acquiring title to the property. Purchasers must apply at least 30 days before the expected settlement date to receive any credit due at the time of settlement.





Figure 3: Tax Limit by Income Level



Source: SDAT

The credit applies only to the taxes resulting from the first \$300,000 of assessed valuation. It does not cover any metropolitan or fixed charges for water and sewer services that may appear on a tax bill. If an applicant owns a large tract of land, the credit is limited to the lot or curtilage on which the dwelling stands and will not include the excess acreage. If a portion of the dwelling is used for commercial or business purposes, the credit is based only upon the taxes for the portion of the dwelling occupied by the household.

Homeowners wishing to be considered for a tax credit under this program are required to reapply each year, including providing their total gross household income for the previous calendar year. All applicants in the state complete and submit SDAT's Homeowners' Property Tax Credit Application Form, which is available on the [Maryland OneStop](#) website. The filing deadline is typically September 1<sup>st</sup>. SDAT estimates that the application process takes the average applicant 30-60 minutes, and there is no application fee. An application may be subjected to an audit at any time and applicant may be requested to submit additional verification or other evidence of income in order to substantiate the application for the property tax credit. The average approval time is 30-90 days.

Persons filing for the HPT credit are required to submit copies of their prior year's federal income tax returns and to provide the Department with permission to verify the amount of income reported with other State and Federal agencies. The sole purpose for which this information is sought is to determine eligibility for a tax credit. All income-related information supplied by the homeowner on the application form is held with the strictest confidentiality. It is unlawful for any officer or employee of the State or any political subdivision to divulge any particulars set forth in the application or any tax return filed, except in accordance with judicial or legislative order. This information is available to officers of the State in their official capacity and to taxing officials of any state, territory, or the federal government, as provided by statute.

Homeowners who file and qualify by April 15 receive the credit directly on their tax bill. Persons who file later up until the October 1 deadline receive any credit due in the form of a revised tax bill. Applicants filing after April 15 are advised not to delay payment of the property tax bill until receipt of the credit if they wish to receive the discount for early payment offered in some localities. A refund check is issued by the local government if the tax bill was paid before the tax credit was granted.



If a homeowner's application is deemed ineligible, they are informed in writing by SDAT. The notification gives the reason for denial and what steps to take if further questions remain. The letter also explains how homeowners can appeal the determination of ineligibility to the local Property Tax Assessments Appeals Board.



## Appendix D: City of Hyattsville Code – Tax Credits

### § 108-2 Homestead Property Tax Credit.

A. Pursuant to 9-105(E) of the Tax-Property Article of the Annotated Code of Maryland, the Homestead Property Tax Credit percentage for the City of Hyattsville, effective for the taxable year beginning July 1, 1991, and subsequent years shall be 110%.

B. The Homestead Property Tax Credit program shall be implemented and administered by the Treasurer in accordance with the provisions of state law and rules and regulations established by the State Department of Assessments and Taxation.

### § 108-3 Local supplement to the state homeowners property tax credit.

A. Tax credit. A homeowner's property tax credit shall be allowed against the City property tax imposed on residential real property if the owner qualifies for the credit under this article.

B. Definitions. Except as otherwise provided herein, the terms used in this article shall have the same meaning as set forth in Section 9-104 of the Tax-Property Article of the Annotated Code of Maryland.

#### ASSESSED VALUE

The adjusted value to which the property tax is applied.

#### DIRECTOR

The Treasurer for the City of Hyattsville or his or her designee.

#### FINAL TAX LIABILITY

The tax liability for any property tax on the property of a dwelling less any property tax credit provided under Section 9-104 of the Tax-Property Article and any supplemental homeowners property tax credit provided under this section and any property tax credit provided by Prince George's County.

#### SECTION 9-104

Section 9-104 of the Tax-Property Article of the Annotated Code of Maryland or any successor provision.

#### TAXABLE YEAR

July 1 to June 30, both inclusive, for which the City computes, imposes and collects real property tax.

#### TOTAL ELIGIBLE CITY REAL PROPERTY TAX

The sum of all City real property tax rates used to calculate the property tax liability for a homeowner for a taxable year, excluding property tax rates in special taxing districts, and excluding City special assessments and charges, such as for stormwater, refuse and the like, or interest and penalties on overdue real property taxes, multiplied by the lesser of:

- (1) \$350,000; or
- (2) The assessed value of the dwelling reduced by the amount of any assessment on which a City property tax credit is granted under Section 9-105; and reduced by any "save harmless" credit mandated under Section 9-101 of the Tax-Property Article of the Maryland Code.



#### C. General.

- (1) The Director shall provide to eligible homeowners a City property tax credit as provided in this article to supplement the State homeowner's property tax credit granted under Section 9-104.
- (2) Except as otherwise expressly stated in this section, all eligibility requirements, statutory definitions, restrictions, application or other procedures which apply to the credit granted under Section 9-104 of the Tax-Property Article also apply to the City homeowner's property tax credit provided for in this article.
- (3) A property tax credit under this section may not be granted to a homeowner whose combined net worth exceeds \$200,000 as of December 31st of the calendar year that precedes the year in which the homeowner applies for the property tax credit, or whose combined gross income exceeds \$80,000 in that same calendar year.

#### D. Amount.

- (1) A homeowner's tax credit local supplement shall be allowed to eligible homeowners against the total City real property tax paid by the eligible homeowner for the taxable year in which the homeowners tax credit supplement is sought in the amount provided for herein.
- (2) The amount of the homeowner's property tax credit is the Total Eligible City Real Property Tax on a dwelling less:
  - a. The percentage of the combined gross income of the homeowner stated in 9-104(h)(2) or any amendment to that subsection, and
  - b. 15% of the State homeowner's property tax credit granted under Section 9-104.
- (3) The property tax credit for home purchasers is the amount of the credit as calculated under paragraph (D)(2) immediately above multiplied by a fraction where the numerator of the fraction is the number of days in the taxable year that the home purchaser actually occupies or expects to actually occupy a dwelling in which the home purchaser has a legal interest and the denominator is 365 days.
- (4) If a credit is granted under this section, a revised tax bill or a tax voucher may be used to adjust the final tax liability.
- (5) Notwithstanding the foregoing, the amount of the homeowner's tax credit local supplement authorized by this article shall not exceed the total City real property tax liability of the eligible homeowner for the taxable year in which the homeowner's tax credit local supplement is sought.

E. Administration. The City Administrator is responsible for the administration and management of the Homeowners Property Tax Credit program. The City Administrator may take all actions necessary in furtherance of said responsibility including, but not limited to:

- (1) Establishing policies and procedures;
- (2) Delegating responsibility to appropriate City departments, offices and staff;
- (3) Entering into agreements with the State Department of Assessments and Taxation, Prince George's County, Maryland and other governmental entities or other persons or entities for the cooperation and/or maintenance of one or more aspects of the Homeowners Property Tax Credit program.

F. Penalties for false and fraudulent information. A person who knowingly submits a false or fraudulent application, or withholds information, to obtain tax credit under this section has committed a misdemeanor. In addition, the person must repay the City for all amounts credited and all accrued interest and penalties that would apply to those amounts as overdue taxes. The City may enforce this subsection by appropriate legal action. A person who violates this subsection is liable for all court costs and expenses of the City in any civil action brought by the City against the violator.



## Appendix E: Maryland Residential Property Tax Relief Programs

- **Statewide Mandatory Property Tax Credits**

<b>Tax Credit Program</b>	
Elderly or Disabled Homeowners	§ 9-101
Homeowners' Tax Credits; Disabled Veterans	§ 9-104
Homestead Property Tax Credit	§ 9-105

- **Statewide Optional Property Tax Credits**

<b>Tax Credit Program</b>	
Dwelling Owned by Surviving Spouse or Cohabitant of Fallen Law Enforcement Officer or Rescue Worker	§ 9-210
Local Supplement to Homeowners Property Tax Credit Program – Municipal Corporation	§ 9-215.1
Offsets of Local Income Tax Rate Increases	§ 9-221
Credit for Individuals at Least 65 Years Old	§ 9-245
Credit for Property Equipped with Accessibility Features	§ 9-250
Elderly Individuals and Veterans	§ 9-258
Property Tax Credit for Disabled Veterans and Surviving Spouses	§ 9-265



## Appendix F: Hyattsville’s Low- and Fixed-Income Homeowners

### Indicators of Homeowners Having Difficulty Paying Property Taxes

The U.S. Census Bureau estimates there are a total of just over 8,000 households in Hyattsville (notably, this does not pertain specifically to owner-occupied units), and the average household size is 2.58. The following provides information related to indicators of cost burden among the owner-occupied units in the city.

- Cost Burden and Income.** Households are considered by HUD to be cost burdened when they spend more than 30 percent of their income on mortgage, rent, and other housing needs. Recent U.S. Census Bureau estimates indicate Hyattsville has just over 3,900 owner-occupied housing units (just over 3,200 with a mortgage, and just under 700 without). Of that total, thirty-three percent of owner-occupied Hyattsville households spent at least 30 percent of their income on housing costs in 2021, meaning they met the federal standard of being cost-burdened.<sup>59</sup> The following table provides a more granular account of this data, breaking it out by units with and without a mortgage, and by household income range.

Cost burden is determined by two factors: housing costs and household incomes. For that reason, cost-burdened households and low-income households are not always one in the same. In instances where housing prices are high enough, middle-income households may also be cost burdened. In Hyattsville, however, low incomes appear to be the key factor. All households with incomes below \$20,000 are housing cost-burdened, as are 87 percent of those with incomes of \$20,000 to \$34,999, 72 percent with incomes of \$35,000 to \$49,999, and 65 percent with incomes of \$50,000 to \$74,999.

**Table 17: Share of Hyattsville Owner-Occupied Units with Housing Costs Equal to 30 Percent or More of Household Income**

	Without a Mortgage	With a Mortgage	% of Units at Income Level
Less than \$20,000	5.6%	1.7%	100.0%
\$20,000 to \$34,999	11.4%	7.6%	86.6%
\$35,000 to \$49,999	2.9%	4.8%	71.6%
\$50,000 to \$74,999	0.0%	10.5%	64.7%
\$75,000 or More	0.0%	10.2%	12.4%
Zero or Negative Income	3.4%	0%	0.0%
<b>Total Owner-Occupied Units</b>	<b>696</b>	<b>3,210</b>	<b>3,906</b>

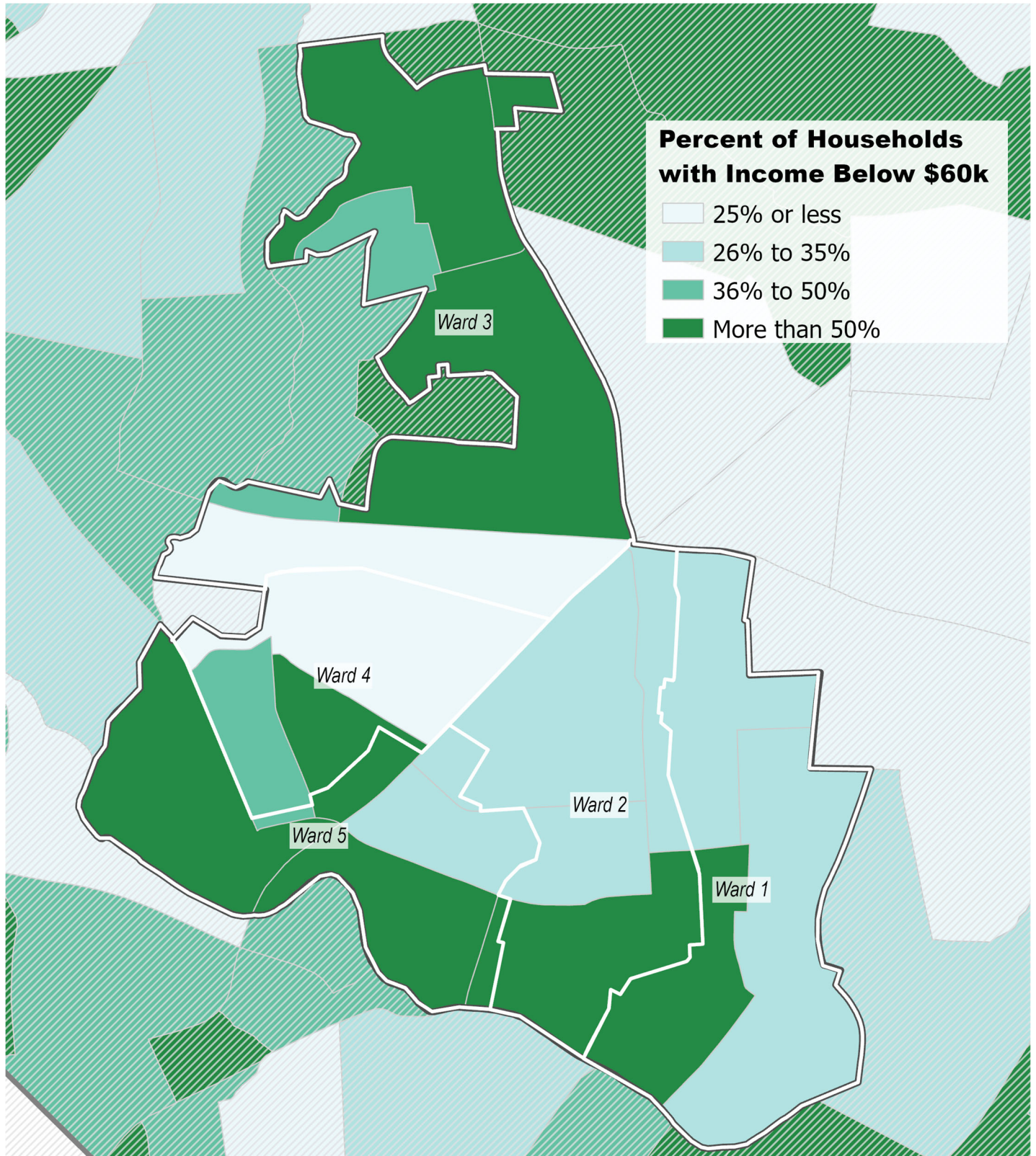
Source: U.S. Census Bureau, 2017-2021 ACS 5-year Estimates

The following map depicts the percentage of Hyattsville households with incomes below \$60,000 by ward.

<sup>59</sup> U.S. Census Bureau, 2017-2021 American Community Survey 5-Year Estimates



**Figure 4: Percent of Hyattsville Households with Income Below \$60,000 by Ward (2021)**



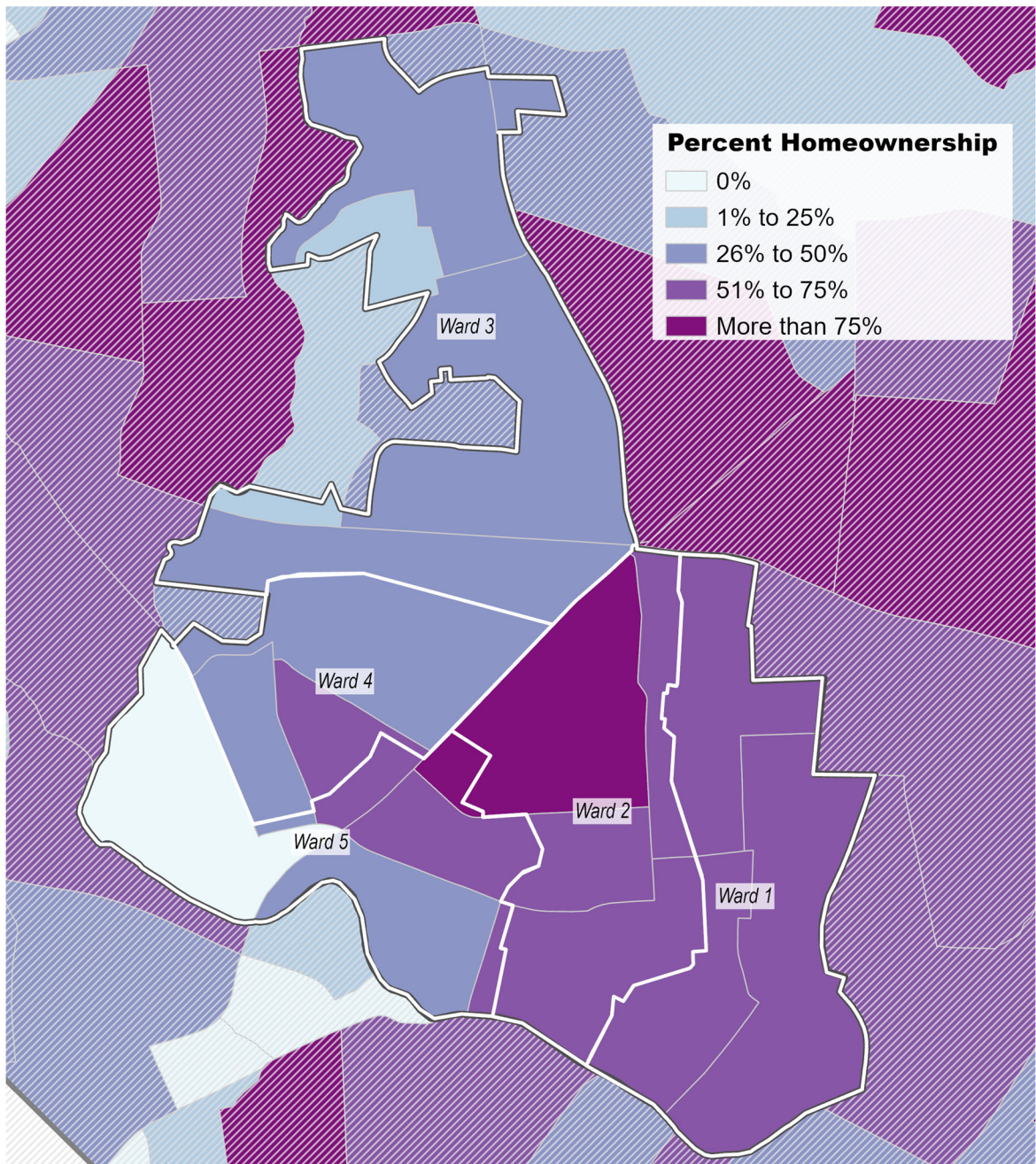


- **Cost Burden and Housing Tenure.** For a typical homeowner with a fixed-rate mortgage, the monthly payment does not change for up to 30 years. For this reason, a homeownership household is unlikely to become cost-burdened during the life of the mortgage, barring significant decreases in household income.

An estimated 48.6 percent of Hyattsville households own their homes. Citywide, among the homeowners that are cost-burdened, 23.3 percent of owner-occupied units without a mortgage are cost burdened, and 34.7 percent with a mortgage.

The following map depicts the percentage of homeownership in Hyattsville by ward.

**Figure 5: Hyattsville Homeownership Percent by Ward (2021)**







- **Cost Burden and Age.** As shown in the following table, Census Bureau estimates indicate that approximately 4 of every 5 Hyattsville homeowners are between the ages of 25 and 64 (45 percent of all householders aged 25 to 44; 35 percent of all householders aged 45 to 64. Approximately 17 percent are aged 65 and over, and the remaining 3 percent are under 25 years.

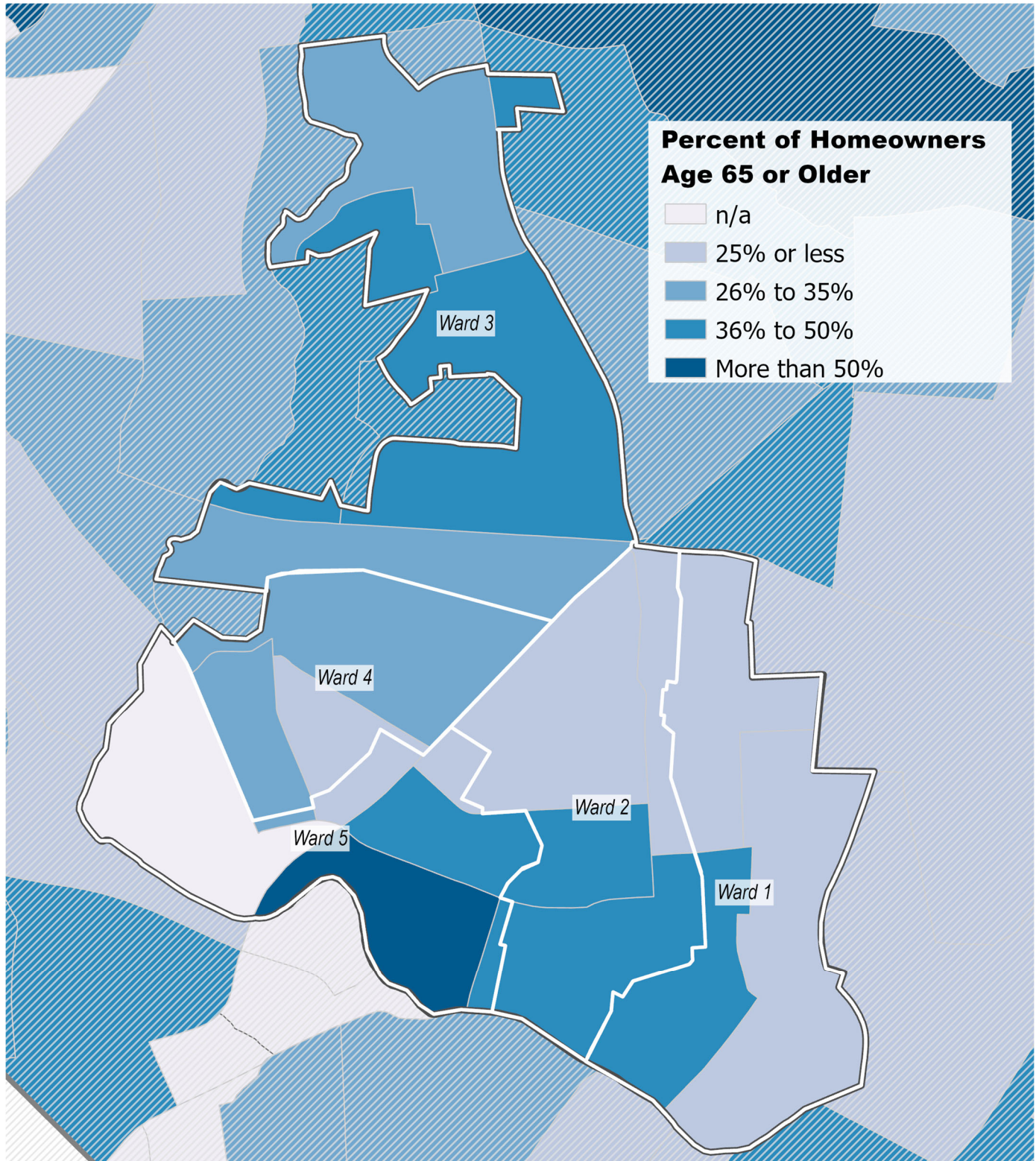
**Table 18: Age of Hyattsville Householder by Household Income**

	<b>All Householders</b>	<b>\$59,999 or Less</b>	<b>\$60,000 to \$74,999</b>	<b>\$75,000 to \$99,999</b>	<b>\$100,000 or More</b>
Under 25 years	3.0%	1.9%	0.3%	0.2%	0.6%
25 to 44 years	44.9%	16.0%	3.0%	6.0%	19.9%
45 to 64 years	35.3%	8.6%	4.2%	7.1%	15.3%
65 years and over	16.8%	9.7%	0.6%	1.6%	4.9%
<b>Total</b>	<b>100.0%</b>	<b>36.2%</b>	<b>8.2%</b>	<b>14.9%</b>	<b>40.7%</b>

The following map depicts the distribution of homeowners aged 65 and older across the city by ward.



Figure 6: Percent of Hyattsville Homeowners Age 65 or Older





## Additional Economic and Demographic Characteristics and Indicators:

- **Household Income:** There are several common ways to categorize income and poverty levels.

In 2022, the Maryland Office of People's Counsel released a study entitled "Maryland Low-Income Market Characterization Report: 2022 Report Update."<sup>60</sup> This 2022 Report Update focused primarily on the energy burden faced by Maryland's low-income households. Like high property tax burdens, high energy burdens disproportionately affect low-income households and divert resources from other essential household needs. For purposes of the report, the OPC characterized low-income households as those earning 200 percent or less of the Federal Poverty Level (FPL).

Under the federal Low-Income Housing Tax Credit program,<sup>61</sup> the owner of a qualified low-income building must rent 20 percent of the units to households with incomes of **50 percent or less** of the area median income.<sup>62</sup>

As shown in the following table (which provides income limits, adjusted for household size), depending on the size of the household, 50 percent of the County median of \$142,300 in 2022 ranges from just under \$50,000 for a one-person household to approximately \$94,000 for a household of eight. The cells highlighted in yellow indicate households that would be eligible for the Homeowners Tax Credit.<sup>63</sup>

**Table 19: Prince Georges County Income Limits by Size of Household (2022)**

People in Household	% of County Median			
	30%	50%	75%	100%
<b>County Median: \$142,300</b>				
1	\$29,900	\$49,850	\$59,063	\$78,750
2	\$34,200	\$56,950	\$67,500	\$90,000
3	\$38,450	\$64,050	\$75,938	\$101,250
4	\$42,700	\$71,150	\$84,375	\$112,500
5	\$46,150	\$76,850	\$91,125	\$121,500
6	\$49,550	\$82,550	\$97,875	\$130,500
7	\$52,950	\$88,250	\$104,625	\$139,500
8	\$56,400	\$93,950	\$111,375	\$148,500

Source: Maryland DHCD

Note: 30% and 50% limits are issued; 75% and 100% limits are based on 80% limits.

As another potential source of income measurement, each year, the U.S. Department of Health and Human Services (HHS) updates the federal poverty guidelines. The following table displays the 2023 poverty guidelines that apply in the 48 contiguous states.<sup>64</sup>

<sup>60</sup> Maryland Office of People's Counsel, "Maryland Low-Income Market Characterization Report: 2022 Report Update," (September 2022). Accessed electronically at [https://opc.maryland.gov/Portals/0/Files/Publications/Reports/Maryland%20Low-Income%20Market%20Characterization\\_September%202022%20final.pdf?ver=7fFmfM9U0mFT8s81cHe6HQ%3D%3D](https://opc.maryland.gov/Portals/0/Files/Publications/Reports/Maryland%20Low-Income%20Market%20Characterization_September%202022%20final.pdf?ver=7fFmfM9U0mFT8s81cHe6HQ%3D%3D)

<sup>61</sup> This comparison is for illustrative purposes only and is intended to show the range of income thresholds that exist. The programs discussed in this report are separate from the Low-Income Housing Tax Credit program.

<sup>62</sup> Or 40 percent of the units to households with incomes of 60 percent or less of the area median income.

<sup>63</sup> Maryland DHCD, "2022 Income Limits." Accessed electronically at <https://dhcd.maryland.gov/HousingDevelopment/Documents/rhf/2022MDIncomeLimitsRents.pdf>

<sup>64</sup> HHS, "2023 Poverty Guidelines: 48 Contiguous States." Accessed electronically at <https://aspe.hhs.gov/sites/default/files/documents/1c92a9207f3ed5915ca020d58fe77696/detailed-guidelines-2023.pdf>



**Table 20: 2023 Federal Poverty Guidelines by Size of Household**

People in Household	Poverty Guideline	% of Poverty Guideline			
		138%	150%	200%	250%
1	\$14,580	\$20,120	\$21,870	\$29,160	\$36,450
2	\$19,720	\$27,214	\$29,580	\$39,440	\$49,300
3	\$24,860	\$34,307	\$37,290	\$49,720	\$62,150
4	\$30,000	\$41,400	\$45,000	\$60,000	\$75,000
5	\$35,140	\$48,493	\$52,710	\$70,280	\$87,850
6	\$40,280	\$55,586	\$60,420	\$80,560	\$100,700
7	\$45,420	\$62,680	\$68,130	\$90,840	\$113,550
8	\$50,560	\$69,773	\$75,840	\$101,120	\$126,400

Source: HHS

- Net Worth:** Net worth is the total value of assets owned, minus any liabilities or debts. The Federal Reserve's Survey of Consumer Finances includes several categories of assets, including bank accounts, CDs, health savings accounts, investment accounts, retirement accounts, cash value life insurance policies, vehicles, and real estate. In calculating net worth, the Federal Reserve subtracts liabilities or debts from the value of assets, including mortgages, home equity lines of credit, credit card balances, and installment loans.

The Federal Reserve's 2019 Survey estimates that the average American family has a net worth of \$748,000, but the median net worth is \$121,000.<sup>65</sup> The median is less sensitive to outliers and may be a more accurate representation of a typical family. Data shows that net worth varies across age, race, location, and education level, as discussed in the following.

**Age:** People tend to build up worth in some assets with time.

**Table 21: Average and Median Net Worth by Age**

Age	Average Net Worth	Median Net Worth	Distribution of Hyattsville Residents by Age
Under 35	\$76,300	\$13,900	50.1%
35 to 44	\$436,200	\$91,300	15.8%
45 to 54	\$833,200	\$168,600	13.4%
55 to 64	\$1,175,900	\$212,500	10.8%
65 to 74	\$1,217,700	\$266,400	6.4%
75 or Older	\$997,600	\$254,800	3.5%

Source: Federal Reserve 2019 Survey of Consumer Finances

<sup>65</sup> The Survey is conducted every three years. In February 2023, the Federal Reserve announced that it will public its 2022 study in late 2023.



**Race:** The racial wealth gap is evident in America’s average net worth. The average Black family still has a net worth smaller than the average white family.

**Table 22: Average and Median Net Worth by Race**

Race	Average Net Worth	Change in Average Net Worth*	Median Net Worth
White, Non-Hispanic	\$983,400	-1%	\$188,200
Black	\$146,800	-3%	\$24,100
Latino	\$203,300	-19%	\$36,200
Multi-Racial & Other Identities	\$486,800	+20%	\$74,500

**Location:** The average American in an urban area has a net worth 2.7 times the net worth of the average American in a rural area.

**Table 23: Average and Median Net Worth by Location**

Location	Average Net Worth	Change in Average Net Worth*	Median Net Worth
People Living in Urban Areas	\$806,400	+1%	\$126,000
People Living in Rural Areas	\$324,800	+11%	\$90,400

Source: Federal Reserve 2019 Survey of Consumer Finances  
 \* Compared to 2016 data

**Homeownership Status:** The average homeowner has a net worth 2.8 times the net worth of the average person who does not own a home.

**Table 24: Average and Median Net Worth by Homeownership Status**

Homeownership Status	Average Net Worth	Median Net Worth
Owns a Home	\$1,102,100	\$255,000
Doesn't Own a Home	\$95,600	\$6,300

Source: Federal Reserve 2019 Survey of Consumer Finances  
 \* Compared to 2016 data



