

Portable Homestead Tax Credit (Resident Retention)

Summary:

Program Purpose and Description

Enacted in 2014, this tax credit program provides a real property tax credit to residents of Baltimore who have lived in Baltimore, received a Homestead Tax Credit for at least each of the last five (5) years, and relocate to a newly purchased dwelling in Baltimore City. The intent of the credit is to provide an incentive for existing City residents to remain in the City when they are considering relocating by offsetting the loss of the homestead credit that some City residents face when relocating.

Credit Value

Except as provided below, the credit is a fixed amount of \$4,000, to be allocated over a period of five tax years as follows:

- (i) \$1,000 in year 1;
- (ii) \$900 in year 2;
- (iii) \$800 in year 3;
- (iv) \$700 in year 4; and
- (v) \$600 in year 5.

For applications filed after October 1, 2015, the fixed amount of the credit is \$5,000 for a homeowner who purchases a dwelling located within a low or moderate income census tract, as designated from time to time by the U.S. Department of Housing and Urban Development and in which at least 51% of the persons living in the tract are in households earning 80% or less of the area median income. The \$5,000 credit is allocated over a period of five tax years as follows:

- (i) \$1,200 in year 1;
- (ii) \$1,110 in year 2;
- (iii) \$1,000 in year 3;
- (iv) \$900 in year 4; and
- (v) \$800 in year 5.

Legal Reference

State Legislation: Annotated Code of the Public General Laws of Maryland as amended, Tax Property Article, Title 9, Subtitle 3, Section 9-304, Subsection (g) (Chapter 623, Acts of the Maryland General Assembly of 2014).

City Code: Baltimore City Code – Unrevised Articles, Article 28 – Taxes, Subtitle 10 – Credits, Section 10-1.1 – Portable Homestead (Ordinance 14-303 of the Baltimore City Council).

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1.0. Background

These rules and regulations are issued pursuant to the authority granted to the Director of Finance by Ordinance 14-0303, effective October 1, 2014, providing for property tax credits for a dwelling newly purchased by a homeowner who has previously received, for a certain period, the homestead property tax credit; as required by Chapter 623 of the Acts of 2014 which amended Section 9-304 of the Tax-Property Article of the Maryland Code to include a requirement that the City issue such a credit.

2.0. Goal

The goal of this tax credit, as derived from the legislative intent of the General Assembly expressed during the 2014 legislative session, is to provide an incentive for residents of Baltimore City, who are planning to relocate from their existing dwelling to another dwelling, to remain in Baltimore City.

3.0. Definitions

The terms defined in Ordinance 14-0303 have the definitions set forth in that ordinance and nothing contained herein shall be interpreted to alter those definitions.

3.1 Newly Purchased

The term "Newly Purchased" is defined as having been transferred for consideration following the submission of an initial application for the tax credit provided in Ordinance 14-0303 that adheres to the application requirements set forth in these rules and regulations.

3.2 Tax Year

The term "Tax Year" is defined as a 12 month period, or any portion thereof, beginning on July 1 of a calendar year.¹

¹ Accordingly, the "5 Tax Years Preceding the Purchase of the New Dwelling" shall be interpreted as the taxable period, beginning July 1, in which the new dwelling is purchased and each of the four preceding taxable periods beginning on the first day of July. For example, if an applicant submits an application for the credit on September 15, 2016, he or she will need to have received the tax credit provided under section 9-105 of the State Tax – Property Article {Homestead Tax Credit} for his or her existing, or previously owned, dwelling on the tax bills that he or she received for that dwelling dated July 1, 2016; July 1, 2015; July 1, 2014; July 1, 2013; and July 1, 2012. If an applicant has transferred his or her previous dwelling prior to July 1 of a given year, he or she must also apply for the credit and purchase a new dwelling prior to July 1 of that year in order to be eligible for the credit.

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4.0. Applications

For All Applications:

The application requirements set forth below include specific deadlines relative to the submission of certain documents and the completion of certain steps in the application process. These deadlines are binding upon all applicants and will not be altered for any individual applicant. Failure to meet any of the deadlines outlined below shall result in the cancellation of the applicant's application and could potentially render the applicant permanently unable to receive the credit. By applying for this credit, an applicant acknowledges these requirements and agrees to be bound by the deadlines set forth below.

All applications shall be submitted electronically via the Baltimore City Department of Finance's Automated Tax Credit Application System (hereinafter, "the System"). This system can be accessed via the internet at the following url:

<https://cityservices.baltimorecity.gov/PropertyTaxCredits>

All applicants will need to register with the system and create an account that can be used to apply for the tax credit.

No applications or required documents shall be accepted in paper form. The City of Baltimore shall not be responsible for any connectivity issues experienced by the applicant and no extensions shall be granted regarding any of the time requirements outlined below due to issues beyond the control of the City of Baltimore's Department of Finance.

4.1 Initial Application

Prior to the purchase of a new dwelling, an applicant shall submit an initial application for this credit via the System at the website listed above. This initial application shall include the following:

- A. The real property account information for the dwelling within Baltimore City for which the applicant has received a tax credit under section 9-105 of the State Tax – Property Article {Homestead Tax Credit} for the preceding 5 tax years (hereinafter referred to as the "qualifying property").
- B. The real property account information for the dwelling within Baltimore City that the applicant intends to purchase.

The System will verify initial eligibility for this credit by confirming that the qualifying property has received the Homestead Tax Credit for the preceding five years and locating the property that the applicant intends to purchase within the real property records for Baltimore City.

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By submitting this initial information the applicant agrees to all of the terms and conditions set forth on the application, including, but not limited to, the affirmation that the applicant has had, for the time period required, a legal interest in the qualifying property, and has the express permission of any other parties with a legal interest in the qualifying property to submit the application. A qualifying property may only be used once to qualify for this tax credit and the City of Baltimore shall not be liable for any potential damages arising out of the unauthorized use of a qualifying property by less than all of the parties with a legal interest in said property to apply for this credit.

Upon submission of this initial information, the System will either confirm or reject the application based upon either the status of the Homestead Tax Credit for the qualifying property or the location of the property to be purchased. If the System rejects an application, the applicant is encouraged to verify the information submitted corresponds to the information on the real property tax bill for the qualifying property by visiting the City of Baltimore's Real Property Tax website available at the following url:

<http://cityservices.baltimorecity.gov/realproperty/>

If accurate information is provided for a qualifying property that meets the necessary requirements, the applicant will be able to save the initial application and will be required to provide certain survey information in order to proceed. Once the initial application has been saved and submitted, the applicant will be notified by email that the application has been received and whether funding is currently available for the credit. If funding is available, the applicant will be notified in the same email that he or she has 15 days to submit a signed contract for the purchase of the new home. If no funds are available, the email will inform the applicant of this fact, and the applicant may later receive an email notifying him or her that funds have become available.

If the applicant fails to submit an electronic copy of a signed contract for the purchase of the new dwelling identified in the initial application, the System, within 15 days of being notified that funds are available, the initial application will be rendered invalid and the applicant will have to reapply.

An initial application is only valid with respect to the new dwelling identified in the application. Further, only one initial application may be submitted for each qualifying property. Accordingly, no initial application should be submitted until the applicant has identified a property that he or she intends to purchase. Additionally, while the applicant may have a signed contract prior to submitting the initial application, he or she may not have already obtained title to the new dwelling.

The City of Baltimore does not guarantee the availability of this credit and assumes no liability for properties purchased in anticipation of the credit that do

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not receive the credit due to eligibility issues with the applicant, the qualifying property, the new dwelling, or the unavailability of funds. If, at any time after submitting the initial application, but before submitting part II of the application, the applicant wishes to voluntarily withdraw his or her initial application, he or she should do so through the options provided in the System.

4.2 Application Part II - Contract for Sale

Once the applicant has been notified that funds are available, the applicant must reenter the application in the System and upload a copy of the signed contract for the sale of the new dwelling within 15 days. This second stage of the application process may be completed immediately following the initial application for those applicants that have already signed a contract for the purchase of their new dwelling.

Once this document has been uploaded, the applicant will again receive an email confirming receipt of the application and notifying the applicant that he or she has 60 days in which to close on the property and submit an electronic copy of the completed and signed HUD-1 or a comparable document for the new dwelling.

4.3 Application Part III – HUD 1

After the applicant has submitted the signed contract required in section 4.3, the applicant has 60 days to close on the property and complete the application process by submitting an electronic copy of a signed and completed HUD-1 for the new dwelling. This HUD-1 must be dated no earlier than the date of the initial application for the credit.

Following submission of the HUD-1, the applicant will receive an email acknowledging receipt of the submission. Once the Department of Finance has reviewed the final submission, the applicant will be notified via email as to the final status of the application. If the application receives final approval, the applicant will receive the tax credit on the next full year tax bill the applicant receives for the new dwelling.

4.4 Application by Agent

Applications may be made by a party representing the owner of the qualifying property in the purchase of his or her new dwelling. Such applicants shall be required to acknowledge their agent relationship on the application's signature page and in doing so shall accept all of the liability associated with the application as mentioned in section 4.2.

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5.0. Eligibility

5.1 Initial Eligibility:

To be eligible to apply for this credit an applicant must have owned, occupied, and received a Homestead Tax Credit on, a dwelling in Baltimore City for the five years preceding the purchase of a new dwelling in Baltimore City. The applicant must apply for this credit, following the procedures outlined in section 4 of these rules and regulations, prior to the purchase of the new dwelling. Finally, following the purchase of the new dwelling, the applicant must occupy the new dwelling as his or her principal residence and apply for the homestead credit provided in § 9-105 of the State Tax-Property Article by submitting the necessary application to the Maryland State Department of Assessments and Taxation.

5.2 Determination of Final Eligibility:

The applicant must follow the procedures outlined in section 4 of these rules and regulations, meet the necessary eligibility criteria specified throughout these rules and regulations, and apply at a time when there is funding available for the credit. If all of these conditions are met, the applicant will be notified by the Department of Finance that he or she will be receiving the credit.

5.3 Continuing Eligibility:

To continue to receive the credit the property owner shall:

- Continue to maintain the property as the owner's primary residence;
- File a State income tax return as a resident of Baltimore City each year;
- Submit a copy of that return electronically to the Director of Finance through the System no later than May 30 of the year in which the return is filed; and
- Update any contact information the applicant has provided in the System whenever a change in such information occurs.

5.4 Transferability of Credit

The credit is non-transferable.

6.0 Term of Credit and Commencement of Credit Term

The credit is for a fixed period of 5 years. The 5-year period commences with the first full year tax bill issued to the applicant for the newly purchased dwelling following final approval of the credit. Under no circumstances will a credit be applied to any part of a tax year less than a full tax year. No credits shall be issued retroactively. Once this credit has been issued, the property for which it has been issued shall be prohibited from receiving a Homestead Tax credit under

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the State Tax-Property Article, regardless of the relative value of any such potential credit.

Funds allocated for this tax credit are awarded on a first come – first served basis. If, in any of the five tax years immediately following the tax year in which final approval for the credit was granted, the credit recipient fails to meet the continuing eligibility requirements, the applicant will no longer receive the credit.

7.0 Calculation of Amount of Credit

All Credits:

The credit is applied to City real property taxes only. The tax credit is a fixed amount in each of the first five years that the newly purchased dwelling is owned by the applicant and the applicant meets the continuing eligibility requirements outlined above. Upon award of the credit contained herein, the applicant will no longer be eligible for the Homestead Tax Credit on the qualifying property.

Upon termination of the credit, the applicant is entitled to the local portion of the Homestead Tax Credit”, which shall be calculated as if the applicant had received the credit beginning in the second year the applicant occupied the dwelling, and based on the full assessed value of the dwelling in each year the applicant received the credit granted herein.

7.1 In General:

The credit is a fixed credit of \$4,000 and shall be allocated and applied over a period of five years as follows:

Year 1	\$1,000
Year 2	\$900
Year 3	\$800
Year 4	\$700
Year 5	\$600

7.2 Dwelling Located within Low or Moderate Income Census Tract:

- (i) For applications filed on or after October 1, 2015, the fixed amount of the credit is \$5,000 for a homeowner who purchases a dwelling located within a low or moderate income census tract, as designated from time to time by the U.S. Department of Housing and Urban Development and in which at least 51% of the persons living in the tract are in households earning 80% or less of the area median income.
- (ii) A homeowner who was residing within a low or moderate income census tract, as described in subparagraph (i) of this paragraph, when the homeowner submitted the final application for the credit remains eligible for the higher credit authorized by this paragraph even if, after

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the date of the application, the census tract changes and the homeowner would otherwise be ineligible for the higher credit during the 5-year period.

- (iii) The \$5,000 shall be allocated and applied over a period of five years as follows:

Year 1	\$1,200
Year 2	\$1,100
Year 3	\$1,000
Year 4	\$900
Year 5	\$800

7.3 Tax Liability Floor

At no time shall the Portable Homestead Tax Credit described herein reduce the applicant's tax liability on the newly purchased dwelling below the tax liability that existed on the qualifying property at the time of application.

8.0 Tax Subsidy Duplication

This credit does not apply to any property for which a local optional real property tax subsidy is being received or has been applied for. For purposes of this section, a tax subsidy may take the form of a tax credit, payment in lieu of taxes, or otherwise.

This tax credit can be combined with the Homeowner's tax credit because the Homeowner's tax credit is considered to be a State mandatory tax limit not a City credit.

This tax credit may also be combined with any City tax credit if said combination is specifically provided for in both the enabling legislation of § 9-304 of the State Tax Property Article and Article 28 of the City Code.

9.0 Program Sunset Provision

Applications for the tax credit will not be accepted after June 30, 2019. No new credit shall be granted for any tax year beginning on or after July 1, 2020. Any credit recipient receiving a credit initially granted and received for a tax year ending on or before June 30, 2020 shall continue to receive the credit per the terms outlined above and in Ordinance 14-0303.

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These rules and regulations become effective July ^{10, 2015} ~~8~~, 2015 and have been filed with the City of Baltimore Department of Legislative Reference.

Issued and Approved:




Henry Raymond, Director
Department of Finance

7/10/15
Date



Hilary Ruley, Chief Solicitor
Law Department

5/27/2015
Date



Avery Aisenstark
Legislative Reference

7/10/15
Date