



State of Maryland

DEPARTMENT OF ASSESSMENTS AND TAXATION

Office of the Director

MARTIN O'MALLEY
Governor

ROBERT E. YOUNG
Director

Dear Maryland Property Owner:

The enclosed notice informs you of our estimate of the new market value of your property. Properties in your area were last valued on January 1, 2011. Many properties that have sold indicate that values have changed since the last review. While the overall real estate market is improving, there are still areas where properties are receiving reductions in value. This value estimate was developed using recent market information from your area and has been applied uniformly to all comparable properties. The new market value estimate is located on page 3, box 7 of the notice.

Local governments will apply their tax rates to our assessments in computing your tax bill. Counties and municipal corporations will set their tax rates at public hearings in the spring. Property tax bills are issued in July/August. The property tax is primarily a local government revenue.

Property values may rise or fall in a changing real estate market. Therefore, property is revalued every three years to ensure that all property owners pay only their fair share of local taxes. Since no property tax revenues are used to fund our agency, we are able to provide an impartial, unbiased opinion of your property value.

Homeowners who submitted the one-time Homestead Tax Credit Application form by the extended December 30, 2013 deadline will continue receiving any credit they are due on the July 1, 2014 property tax bill, PROVIDED THEY MATHEMATICALLY STILL QUALIFY FOR A CREDIT AFTER THE ASSESSMENT REDUCTIONS IN RECENT YEARS. To find out if you submitted the Homestead Application by the deadline, go to the Department's website at www.dat.state.md.us and click on Real Property Data Search to look up your property by County name and street address.

I assure you that you will be provided courteous service and access to information that formed the basis of your property valuation. You may obtain public data for any property in Maryland or brochures about the assessment process by visiting either our website or your local assessment office. Internet users may obtain these brochures as well as review sales and assessment data by accessing our website at www.dat.state.md.us.

Please feel free to contact your local assessment office for further information or assistance.

Sincerely,

Robert E. Young
Director

The Homestead Tax Credit

What is the Homestead Tax Credit?

Six years ago a law was enacted in 2007 requiring homeowners to submit a **one-time** Homestead Tax credit Application to assure their continued eligibility for this credit on the one property used as the principal residence of the homeowner and spouse. In the 2013 session, the General Assembly extended the deadline to December 30, 2013. During this period, the Department has mailed the Homestead Application to every homeowner in the State on at least two occasions in either the new Assessment Notice or in a second or third special mailings to non-filers. Also, new purchasers of residential properties were separately mailed an individual letter and copy of the application.

To help homeowners deal with assessment increases, state law has established the Homestead Property Tax Credit. The Homestead Credit limits or caps the increase in taxable assessments each year to a fixed percentage. Since 1992 every county and municipality in Maryland is required to set a Homestead cap that limits taxable assessment increases to 10% or less each year.

The Homestead Tax Credit applies only to the principal residence of the property owner and is based on the total market value for the dwelling and land associated with the dwelling.

The Homestead Tax Credit does not limit the market value of the property as determined by the Department of Assessments and Taxation. Instead, it is actually a credit calculated on any assessment increase exceeding 10% (or the lower local cap enacted by the local governments) from one year to the next. Your taxable assessments, after subtracting the Homestead Tax Credit, are shown in boxes 1, 2 and 3 on page 3 of this notice.

Your annual real estate tax bill is a summation of your county, state, and municipal (if applicable) real estate taxes. Because each of these levels of government sets a specific cap, they each have a specific Homestead Credit. The State Homestead Credit is calculated based on a 10% cap. Your county or Baltimore City Homestead Credit is calculated based on the cap shown on page 3 of this notice just below the information box. Typically 80% to 90% of your total real estate tax bill is county or Baltimore City real estate taxes. Therefore your county or Baltimore City Homestead cap has the greatest impact on your total tax bill.

How much are your Homestead Credits?

Your actual amount of Homestead Credit is the difference between your taxable assessments and your 2014 Phased-In Market Value/Assessment. Specifically referring to page 3 of this notice, the amount of county Homestead Credit being applied to your July 2014 tax bill is the difference between **boxes 8 and 1**. The amount of State Homestead Credit is the difference between **boxes 8 and 2**, and the difference between **boxes 8 and 3** is the municipal Homestead Credit. If box 8 is the same as **boxes 1, 2, or 3** you are receiving no Homestead Credit for that level of government taxation.

Your local government will grant the credit when calculating your July property tax bill. The net amount, with the credit deducted, will be shown as the tax due.

Many homeowners no longer mathematically qualify for a Homestead Credit because the amount of the reduction in the assessment in recent years is greater than the amount of the assessment previously receiving a Homestead Credit.

Example of Homestead Credit calculation

Assume that your old assessment was \$100,000 (box 4) and that your new phased-in market value/assessment for the July 2014 tax billing is \$120,000 (box 8). An increase of 10% will result in a county taxable assessment of \$110,000 (box 1). The difference between \$120,000 and \$110,000 is \$10,000 (amount of the county Homestead assessment credit). This county assessment tax credit will apply to the taxes due on the July 2014 tax bill. The actual tax dollars saved will be calculated as follows: \$10,000 county Homestead Credit multiplied by an assumed county tax rate of \$1.04 per \$100 of assessment equals $\$10,000 \times \$1.04 \text{ divided by } 100 = \104.00 . This credit will automatically be applied to your July 2014 tax bill.

Conditions

The tax credit will be granted if the following conditions are met during the previous tax year:

- A. The property was not transferred to new ownership;
- B. There was no change in the zoning classification requested by the homeowner resulting in an increased value of the property;
- C. A substantial change did not occur in the use of the property.

Further conditions are that 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, including July 1 of the year for which the credit is applicable, unless the owner was temporarily unable to do so by reason of illness or need of special care. An owner can receive a credit on only one property – the principal residence.

The impact of the Homestead Credit on assessment appeals

If an appeal is filed on a property receiving a Homestead Tax Credit, it should be noted that a reduction in the New Market Value will not result in any tax savings unless the new 2014 Phased-In Market Value/Assessment (box 8) resulting from this decrease is less than the taxable assessments shown in boxes 1, 2, and 3.

It is also important to note that because of significant decreases in assessments in a declining real estate market that there are fewer homeowners who mathematically qualify to receive any Homestead tax Credit.