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TESTIMONY IN OPPOSITION OF SB 232: PROPERTY TAX- HOMESTEAD TAX CREDIT- EXTENSION TO SECOND PROPERTY

*Senate Budget and Taxation Committee
Subcommittee on Health, Education and Human Resources
Tuesday, February 16, 2010*

Submitted by Branden A. McLeod, Chair

The Maryland Alliance for the Poor (MAP) is a statewide network of advocacy organizations and faith communities working together to advocate on behalf of Marylanders living in or near poverty. MAP believes that tax policy should promote equity and fairness; we believe that a tax should be evaluated in proportion to the benefits received, including the impact on lower-income people. The same can be said for a tax credit (that removes a stream of income to the state).

To help homeowners deal with large assessment increases on their principal residence, state law has established the Homestead Property Tax Credit. This credit (which reduces the amount of real estate tax that goes to the state and the local jurisdiction) makes home ownership more affordable for many Maryland homeowners. The Homestead Credit limits 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% or less each year.

SB232 would allow a homeowner to claim the credit for a second dwelling as long as it was at least 90 miles from the first dwelling. MAP believes that with the current budget deficits that the state is facing, the loss of revenue to the state that a tax credit on second homes would provide is inappropriate when a revenue shortage is preventing adequate funding for many important programs. Second homes are a luxury and should not be subsidized by the state when the revenue from the total assessments on those homes is a small but needed source of revenue.

MAP requests that members of the Budget & Taxation Committee oppose this bill.