

## BALTIMORE CITY DEPARTMENT OF FINANCE

### **High-Performance Newly Constructed Dwellings Property Tax Credit**

#### Program Purpose and Description

This program was designed for the purpose of establishing a property tax credit for high-performance newly constructed dwellings. The program provides:

A five-year City real property tax credit (50% in the first taxable year and declining by 10 percentage points per year thereafter) on high-performance newly constructed dwellings if the property has not been previously occupied by an owner or a tenant since its construction or substantial rehabilitation. In order for a substantially rehabilitated dwelling to be eligible for this credit, it must contain no more than four dwelling units. Additionally, the dwelling must have been cited by the City's Department of Housing and Community Development as being vacant and abandoned for more than one year or have been owned by the Mayor and City Council of Baltimore for one year and be in need of substantial repair to comply with applicable City codes. This tax credit is non-transferable and only applies if the owner is the first party to purchase the high-performance newly constructed dwelling after its completion.

If someone owns a previously vacant building, has rehabilitated that building while owning it and would now like to apply for a property tax credit for the rehabilitated property, please see the fact sheet for **Vacant Dwelling Homeowners Property Tax Credit**. That credit program applies when the owner of the property has rehabilitated the property and continues to occupy it.

#### Qualifications

Owners of high-performance newly constructed dwellings may qualify for this tax credit by:

- Purchasing a high-performance newly constructed dwelling that has not previously been occupied.
- Continuing to own and occupy this property as their principal residence for the duration of the credit period (as their principal residence, this would be the address reported on their income tax returns).
- Filing an application for the tax credit within 90 days after settling on the purchase of the dwelling OR within 90 days of the enactment of this credit ordinance (August 29, 2019) if settlement on the purchase of the dwelling occurred after July 1, 2018.
- Filing a Maryland state income tax return as a resident of Baltimore City for each taxable year for which the credit is sought.
- Satisfying all other conditions imposed by the regulations of the Director of Finance.

## Credit Calculation

A property tax credit granted under this program may not exceed the amount of City property tax imposed on the property, less the amount of any other credit applicable in that year, multiplied by the appropriate percentage. See the example below.

	<b>City Taxes</b>	<b>Credit %</b>	<b>Credit Amount</b>
<b>Column Calculation</b>	<i>(1)</i>	<i>(2)</i>	<i>(3)</i> <i>(1) x (2)</i>
<b>Year 1</b>	\$7,000	50%	\$3,500
<b>Year 2</b>	\$8,250	40%	\$3,300
<b>Year 3</b>	\$9,500	30%	\$2,850
<b>Year 4</b>	\$9,650	20%	\$1,930
<b>Year 5</b>	\$9,800	10%	\$980

## Reassessment of New Construction

- When someone purchases a high-performance newly constructed residential dwelling, he or she might not know at the time of purchase what the real property assessment for the new home will be. Often, the only assessment generally available at the time of purchase is the old assessment for the parcel, prior to the new construction.
- At some point after the completion of the high-performance newly constructed dwelling, the State Department of Assessments and Taxation (SDAT) will reassess the property to incorporate the new construction into the assessed value. It can take weeks or months for SDAT to perform this reassessment.
- A homeowner can contact SDAT at 410-767-8250 or <http://www.dat.state.md.us> to find out whether this assessment of the new construction has been completed.

## Credit Application Process

- Upon receipt of the tax credit application found on the tax credit application website available at <https://propertytaxcredits.baltimorecity.gov/PropertyTaxCredits/> Finance will review the application and notify the applicant via email whether the application is approved or rejected. If the application is rejected, the reason for rejection will be provided.
- The tax credit application will be reviewed once the application has been submitted via the online Tax Credit System. Applications in Saved status will not be considered for the credit until they have been submitted and the status of the application has been changed to Submitted.
- Once an application has been approved, the tax credit will be awarded on the next full year real property tax bill which includes tax liability imposed on the high-performance newly constructed dwelling.

## Legal Reference

- State enabling legislation – Annotated Code of Maryland, Tax Property Article, Section 9-242 (a)
- Baltimore City Code, Article 28-Taxes, Section 10-18.1 (Ordinance No. 19-290).

## Sunset Provision

After June 30, 2021, additional owners of high-performance newly constructed dwellings may not apply for a credit under this program.

## Application Procedures:

### ***Step 1: Complete one-time online application and upload qualifying documents which include:***

1. From the Department of Housing and Community Development, Charles L. Benton Building, 417 East Fayette Street, Room 202, 410-396-3360/3361.
  - a. Evidence of Appropriate Building Permits (go to [http://cels.baltimorehousing.org/Search\\_TM\\_MAP.aspx](http://cels.baltimorehousing.org/Search_TM_MAP.aspx) to print out a list of all building permits issued for your particular property which can be used to fulfill the requirements for this tax credit).
  - b. If substantially rehabilitated and not previously owned by the Mayor and City Council of Baltimore, a copy of the Vacant Building Notice from the Department of Housing must also be included in the application (for questions, please call the Department of Housing Code Enforcement Unit at 410-396-4170).
2. From the settlement company, a notarized copy of your settlement worksheet must be included.

*Step 2:* Contact the State Department of Assessments and Taxation (SDAT) to confirm that the property is classified as the homeowner's principal residence. SDAT can be reached at 410-767-8250.

*Step 3:* Owner shall submit the online application via the Tax Credit System within 90 days after settling on the purchase of the dwelling OR within 90 days of the enactment of this credit ordinance (August 29, 2019) if settlement on the purchase of the dwelling occurred after July 1, 2018.

*Step 4:* Finance will review the application and notify the applicant via email of the approval or rejection of the application. PLEASE NOTE: As part of the application review process, Finance will attempt to confirm that the property is classified as the homeowner's principal residence. If the property is not classified as the homeowner's principal residence, Finance will attempt to confirm with SDAT that the homeowner is in the process of correcting this classification. If SDAT cannot confirm this, the application will be REJECTED.

# **High-Performance Newly Constructed Dwellings Property Tax Credit**

## **Frequently Asked Questions**

### **What is the High-Performance Newly Constructed Dwellings Property Tax Credit?**

The High-Performance Newly Constructed Dwellings Property Tax Credit is designed to offer a credit against the City real property tax imposed on the assessment of eligible high-performance newly constructed or substantially rehabilitated dwellings that are owned by qualifying owners.

### **What is the credit term?**

The credit is for a maximum of five (5) consecutive years.

### **How is the credit amount calculated?**

The credit is based on a percentage of the City of Baltimore real property taxes for each taxable year that the property remains eligible. The tax credit amount is based on the City property tax imposed on the property, less the amount of any other credit applicable in that year, multiplied by the appropriate percentage. This percentage begins at 50% in the first year of eligibility and decreases with 10% each year for a total of five years.

	<b>City Taxes</b>	<b>Credit %</b>	<b>Credit Amount</b>
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### **Is the credit transferable to another owner if I sell my home?**

The credit does not transfer between property owners.

### **How do I know if I am eligible for this credit?**

To be eligible for this credit, the applicant must:

1. Purchase a high-performance newly constructed dwelling or eligible substantially rehabilitated dwelling that has not been previously occupied;
2. Occupy that dwelling as their principal residence; and
3. Submit an application for the tax credit within 90 days after settling on the purchase of the dwelling OR within 90 days of the enactment of this credit ordinance (August 29, 2019) if settlement on the purchase of the dwelling occurred after July 1, 2018.

**Do I need to apply for the Homestead Tax Credit in order to apply for the High-Performance Newly Constructed Dwellings Property Tax Credit?**

No. However, we strongly encourage you to apply for the Homestead Tax Credit because it is a relatively simple process that can prove very beneficial for homeowners over the period of time that they own their home. However, it is not a requirement of the High-Performance Newly Constructed Dwellings Property Tax Credit. For more information about the Homestead Tax Credit and how to apply, please visit <http://dat.maryland.gov/realproperty/Pages/Maryland-Homestead-Tax-Credit.aspx>

**My home is not listed as my principal residence on the SDAT website. How do I update that information?**

Please contact SDAT's Baltimore City office at 410-767-8250 and request an update to your Homeowner indicator.

**I meet all of the eligibility criteria for the High-Performance Newly Constructed Dwellings Property Tax Credit. How do I apply?**

Visit <https://propertytaxcredits.baltimorecity.gov/PropertyTaxCredits/> to access the online application system. Only online applications are accepted.

- *Step #1:* Click "Register" on the Tax Credit System homepage to create a unique user login.
- *Step #2:* Enter your contact information in the appropriate fields. Your password must be at least eight characters and contain at least 1 number. Once complete, click "Create User" to register.
- *Step #3:* Once your account has been successfully created, click <https://propertytaxcredits.baltimorecity.gov/PropertyTaxCredits/> to proceed to the login page. Enter your newly created username and password in the login fields. Click "Log In."
- *Step #4:* Click "Applications" on the left-side menu. Click "Create Application" from the dropdown menu.
- *Step #5:* On the "Create a New Application" page, click the "Select Application Type" dropdown and select "HIGH-PERFORMANCE NEWLY CONSTRUCTED DWELLINGS PROPERTY TAX CREDIT". Select "Create a New Application" to start your application. Please be sure to click "Save" on each page before moving to the next tab.
- *Step #6:* Click on "Submit" on the signature tab. The system will email you a confirmation once you've successfully submitted your application. If you do not receive an email confirming the submittal of your application, please contact us immediately. Applications in "Saved" status are not submitted and will not be considered for credit. The application **MUST** be in submitted status before your application period expires.

**The application asks for the property transfer date. Where do I find this?**

The transfer date is the date of settlement/closing. You can find this on your Closing Disclosures form received at settlement/closing.

**Is there a deadline to apply for this credit?**

Yes. An application for this tax credit must be submitted within 90 days after settling on the purchase of the dwelling OR within 90 days of the enactment of this credit ordinance (August 29, 2019) if settlement on the purchase of the dwelling occurred after July 1, 2018.

**Is this credit being terminated?**

After June 30, 2021, additional owners of high-performance newly constructed dwellings may not apply for a credit under this program.

**Do I need to reapply every year?**

No. Once the credit is granted, it automatically renews for homeowners who continue to maintain their qualification requirements. If requirements are no longer met, the credit is discontinued.

**How long does it take to process the credit application?**

Once all required documents are received and your Homeowner Indicator status is verified, the review process is typically completed in less than 30 days. Applications are reviewed in the order in which they are received.

**I cannot access the “Saved” application. Where would I find that? I went to application search and nothing came up. There appears to be no place to access the application in the system.**

If you log-in to the system and input the application ID # into the corresponding search field, the application will appear.

**I have a question not listed here. Who can I contact?**

Please email any questions to [tax.credits@baltimorecity.gov](mailto:tax.credits@baltimorecity.gov).