BALTIMORE CITY DEPARTMENT OF FINANCE

Newly Constructed Dwelling Property Tax Credit

Program Purpose and Description

This program was designed to encourage the construction and purchase of new homes in the city. The program provides:

> A five-year City real property tax credit (50% in the first taxable year and declining by 10 percentage points thereafter) on *newly constructed* or *substantially rehabilitated dwellings* if the property *has not been previously occupied* by owner or tenant since its construction or rehabilitation. In order for a *substantially rehabilitated dwelling* to be eligible for this credit, it must contain no more than four dwelling units and have been cited by the City's Department of Housing and Community Development as being vacant and abandoned for more than one year or been owned by the Mayor and City Council of Baltimore for one year and 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 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 newly constructed dwellings may qualify for this tax credit by:

- Purchasing a newly constructed or substantially rehabbed dwelling that has not previously been occupied.
- Occupying that dwelling 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 of settling on the purchase** of the dwelling OR **within 90 days after the State Department of Assessments and Taxation issues the first assessment notice reflecting the value of the new construction**.

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.

	City Taxes	**Credit %**	**Credit Amount**
Column Calculation	(1)	(2)	(3) (1) x (2)

Year 1	$2,000	50%	$1,000
Year 2	$2,000	40%	$800
Year 3	$2,000	30%	$600
Year 4	$2,080	20%	$416
Year 5	$2,163	10%	$216

How the Re-Assessment and Credit Application Process Works

- When someone purchases a 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 newly constructed dwelling, the State Department of Assessments and Taxation (SDAT) will reassess the property to incorporate the new construction into the assessment value. It can take weeks or months for SDAT to perform the reassessment.

- The new homeowner must submit his or her application for this tax credit with the City either within **90 days of settlement on the purchase of the home** or **within 90 days of SDAT issuing the first assessment notice reflecting the value of the new construction** (see Application Procedures on page 4 for more information). When the homeowner submits the application to the Bureau of Revenue Collections (BRC) it will be date-stamped.

- A homeowner can contact SDAT at 410-767-8250 or www.dat.state.md.us to find out whether the assessment of the new construction has been completed.

- On the tax credit application, the homeowner is asked whether they would like the tax credit to apply immediately in the year of purchase or whether they would like the first year of the tax credit to apply in the subsequent tax year (the tax year runs from July 1 through June 30). This is because:
    - the current year's taxes might be based, for at least part of the year, on the old assessment value, which would yield less of a credit than the new reassessed value that will be applied at a later date; and
    - depending on the time of year when the home was purchased, the new owner might be responsible for only a partial year of taxes, which, again, would yield less of a credit than a full year's taxes.

- Upon receipt of the tax credit application, BRC will review the eligibility of the applicant and notify the applicant via letter or email whether they are approved or disapproved for the credit. If they are disapproved, the reason for disapproval will be provided.

- If an applicant is approved for the tax credit and the application materials do not include a copy of the new assessment notice, then BRC will check the assessment system to see whether the property has been assessed to reflect the value of the

new construction. If a new assessment is noted in the SDAT system or if a copy of the new assessment notice has been provided with the application, then the application will be processed. If a new assessment has not yet been entered into the SDAT system, then BRC will hold the application in a pending file and check the SDAT system bi-weekly to see whether the assessment has been entered. Once an assessment has been entered, then the tax credit application will be processed.

- **An application for this tax credit is not processed until the State has completed its assessment of the newly constructed dwelling.** Before processing any newly constructed tax credit application, BRC will confirm with the applicant whether he or she wants the credit to apply in the current tax year or for the subsequent tax year.

- If the State performs the new assessment during the first half of the tax year (July through December), then the homeowner will be billed prospectively for a partial year (6 months) of State property taxes under the new assessed value. The homeowner will be billed prospectively for a partial year (3, 6, or 9 months) of City property tax under the new assessed value, depending on when the assessment is completed.

Legal Reference

- State enabling legislation - Annotated Code of Maryland, Tax Property Article, Section 9-304 (d)
- Baltimore City Code, Article 28-Taxes, Section 10-5 (Ordinance No. 09-197).

Sunset Provision

The State legislature has authorized this program through June 30, 2019. After June 30, 2019 additional owners of newly constructed dwellings may not be granted a credit under this program.

Contacts:

Baltimore City Bureau of Revenue Collections Call Center
410-396-3971
BaltimoreCityCollections@baltimorecity.gov
Monday – Friday 8:30 a.m. – 4:30 p.m.

Application Procedures:

Step 1: **Complete one-time application (on following pages) and secure 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 - 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 rehabbed and not a new construction, a copy of the Vacant Housing 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 (HUD-1) must be included.

3. If applying within the 90-day period since SDAT issued the new assessment reflecting the value of the new construction, then a copy of the new assessment notice must be included.

Step 2: Owner shall return all completed application materials to the Bureau of Revenue Collections (BRC), Room 3, Abel Wolman Municipal Building, 200 Holliday Street, Baltimore, Maryland 21202 (phone: 443-984-4051) **within 90 days of settlement or within 90 days of SDAT issuing the first assessment reflecting the value of the new construction**.

Step 3: BRC will review the application and, if approved, will calculate the appropriate credit. BRC will notify the applicant in writing via letter or email of the approval or disapproval of the application. BRC will confirm with the homeowner whether they would like the first year of the credit to be applied in the current tax year or in the subsequent tax year.

City of Baltimore
Department of Finance
Bureau of Revenue Collections
Room 3, Abel Wolman Municipal Building
200 North Holliday Street
Baltimore, MD 21202
(443) 984-4051

TAX CREDIT APPLICATION FOR NEWLY CONSTRUCTED DWELLINGS

1. _____

_____

_____

Purchaser(s) Name & Property Address

2. _____

Property Reference Number

(Ward/Section/Block/Lot)

3. (H) _____ (W) _____

Telephone

4. Email address:

_____

5. When was this property purchased? _____

Attach a copy of the settlement sheet (HUD-1) as evidence of settlement date.

6. Has the State Department of Assessments and Taxation (SDAT) issued a new assessment notice on your property reflecting the value of the new construction?

Yes _____ No _____ Don't Know _____

If you answered yes, please attach a copy of the new assessment notice issued by SDAT.

7. Select the first year for which you would like the credit to apply*:

Year of purchase: ____ (check one)
Subsequent year: ____

(*Note that in any case the credit will not apply until after the property has been re-assessed to reflect the value of the new construction by the State Department of Assessments and Taxation.)

8. Have you attached documentation of the building permits issued by the Department of Housing for the construction of your residence?

Yes _____ No _____

If you answered no, the City will not be able to process your application.

9. Are you the first party to *purchase* the newly constructed dwelling after its completion?

Yes _____ No _____

If you answered no, you are not eligible for this tax credit.

10. Are you the first *occupant* of this dwelling since construction was completed?

Yes _____ No _____

If you answered no, you are not eligible for this tax credit.

11. Is this dwelling to be used as your principal residence?

Yes _____ No _____

If you answered no, you are not eligible for this tax credit.

12. Is this property a *newly constructed dwelling* or a *substantially rehabilitated dwelling*?

Newly Constructed _____ Substantially Rehabilitated _____

12A. If the dwelling is a substantially rehabilitated housing unit rather than brand new housing construction, does the property contain multiple housing units?

Yes _____ No _____

If yes, please indicate the number of dwelling units: _____

If you answered more than four dwelling units, you are not eligible for this credit.

12B. If the dwelling is a substantially rehabilitated housing unit rather than brand new construction, have you attached a copy of the Vacant Housing Notice that the Department of Housing issued on the property prior to its rehabilitation?

Yes _____ No _____

If you answered no, the City will not be able to process your application.

I declare under the penalties of perjury, that this application (including any accompanying forms and statements) has been examined by me and the information contained herein, to the best of my knowledge and belief, is true.

_____ _____

Purchaser(s) Signature Date

PLEASE TAKE A FEW MOMENTS TO COMPLETE THIS QUESTIONNAIRE
(Signed questionnaire must be submitted with your tax credit application)

1. What was your housing status prior to the purchase of this home?

Owned _____ Rented _____

Lived with Relatives _____ Other _____

2. Where did you live prior to the purchase of this home?

Baltimore City _____ Counties (give name) _____

Out-of-State (give name) _____

3. Are you a first time home buyer? Yes _____ No _____

4. Which location(s) did you search for this home?

Baltimore City Only _____ Baltimore City and Counties _____

Other (please specify) _____

5. How did you hear about this credit? City Agencies _____

Mailings _____ Realtors

_____

Radio/TV spots _____ Developers

_____

Community Associations _____ Other _____

6. Did you know about the credit prior to the purchase of the home?

(If no, skip to question 9) Yes _____ No_____

7. Did the credit have any influence on your decision to purchase this home?

Yes _____ No_____

8. How important was the credit in your decision to purchase this home?

Very Important _____ Important _____

Not Important _____

9. How much did the credit reduce your yearly housing cost?

Less than $400 _____ $400-$800 _____

$800-$1,200 _____ Over $1,200 _____

Unknown _____

10. How many members in your household? Adults _____

School aged children (K-12) _____ other children _____

11. What is your total household income? Less than $10,000 _____

$10,000-$20,000 _____ $20,000-$30,000 _____ $30,000-$40,000 _____

$40,000-$50,000 _____ $50,000-$60,000 _____ $60,000-$70,000 _____

$70,000-$80,000 _____ $80,000-$90,000 _____ $90,000-$100,000 _____

Over $100,000 _____

12. Is this new residence a(n):

Individual newly constructed unit _____

An individual HCD-certified vacant rehabbed unit _____

A new unit created by combining one or more existing residential units _____