

## 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)<br>(1) x (2) |

|               |         |     |         |
|---------------|---------|-----|---------|
| <b>Year 1</b> | \$2,000 | 50% | \$1,000 |
| <b>Year 2</b> | \$2,000 | 40% | \$800   |
| <b>Year 3</b> | \$2,000 | 30% | \$600   |
| <b>Year 4</b> | \$2,080 | 20% | \$416   |
| <b>Year 5</b> | \$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 online 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**.
- A homeowner can contact SDAT at 410-767-8250 or [www.dat.state.md.us](http://www.dat.state.md.us) to find out whether the assessment of the new construction has been completed.
- Upon receipt of the tax credit application and the property's new assessment notice, Finance will review the eligibility of the applicant and notify the applicant via email whether they are approved or disapproved for the credit. If they are disapproved, the reason for disapproval will be provided.
- If an application is submitted for this tax credit and the application materials do not include a copy of the new assessment notice, then Finance will wait to receive the new assessment notice in order to provide credit approval.

The tax credit application will be reviewed once the assessment notice has been uploaded to the Tax Credit System.

- 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.

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 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 submit the online application via the Tax Credit System **within 90 days of settlement or within 90 days of SDAT issuing the first assessment reflecting the value of the new construction.**

**Step 3:** Finance will review the application and, if approved, will calculate the appropriate credit. Finance will notify the applicant via email of the approval or disapproval of the application.