

MEMORANDUM

TO: Rep. Wilson-Anton
FROM: Nicholas Brock, Pro Bono Intern, Division of Research
DATE: February 23, 2021
RE: Homestead Exemption

Overview

A homestead tax exemption is the amount of tax the state excludes from your real property tax assessment on your principal place of residence. Thirty-eight states and the District of Columbia make homestead exemptions or credits broadly available to homeowners.

- Homestead exemption programs reduce property taxes by exempting a certain amount of a home's value from taxation.
 - Ex: In FL, homeowners can claim up to a \$50,000 homestead tax exemption. This means that if you live in Florida and your home's value is assessed at \$250,000, you could receive an exemption of \$50,000.
 - The exemption lowers your home's taxable value would be \$200,000. Florida's average property tax rate is 0.98%, which means your property tax would be \$1,960, based on the average rate. Your \$50,000 exemption would save you \$490.
- Homestead credit programs provide tax credits directly to taxpayers. Qualifying homeowners receive a discount on their tax bills or a rebate equal to a certain percentage of taxes due or a fixed amount.
 - Ex: In MD, every county and municipality in Maryland is required to limit taxable assessment increases to 10% or less each.¹
 - If old assessment was \$100,000 and the new assessment was \$120,000, the increase of 10% would result in an assessment of \$110,000. The difference between \$120,000 and \$110,000 is \$10,000.
 - If the tax rate was \$1.04 per \$100 of assessed value, the tax credit would be \$104 ($\$10,000 \div 100 \times \1.04).

Regional Homestead Exemption Laws

Qualifications for the homestead tax exemption vary by state. In general, homeowners who live in a primary residence are eligible for the exemption. States tend to have rules about the exemption in relation to when you made the property your primary residence.

Delaware

While Delaware doesn't have an "official" Homestead exemption program, the state offers a seniors [School Property Tax Relief](#).

- Homeowners age 65 or over are eligible for a tax credit against regular school property taxes of 50 percent (up to \$400) and only be used against taxes on a primary residence.
 - [New Castle County](#): Offers up to \$32,000 in property tax exemptions to eligible residents age 65 or older.

¹ https://dat.maryland.gov/realproperty/Documents/Homestead_Percent_Caps.pdf

- [Wilmington](#): The City of Wilmington provides a maximum exemption of \$40,500 of the total property assessed value for its eligible taxpayers.
 - Eligibility: 2020 income in 2020 was \$15,000 or less

D.C.

- **Exemption**: All ages; \$67,500 of Assessed Value (AV) increased annually
- **Credit**: Age 65 or older or individuals with disabilities –50% of property taxes due
 - *Income limit*: \$100,000
 - [§ 47–850](#). Residential property tax relief — Homestead Deduction

Maryland

- **Homestead Tax Credit**: All ages; based on the tax due on the portion of property's assessment increase that exceeds cap (up to 10%)
 - **No income requirement**
 - Right to appeal Homestead exemption denial
- **Exemption(s)**: [Disabled Veterans and Surviving Spouses](#)
 - For veterans with a permanent and total service-connected disability rated 100% by the Veterans Administration.
 - Example of exemption “carve-out”

Pennsylvania

PA enacted the [Taxpayer Relief Act](#) in 2006 to lower the amount of taxes paid by residents. To be eligible for a homestead exclusion, you must be the owner of the property and that property must be both your domicile and primary legal residence.

- Houses, condos and cooperative apartments are all eligible.
 - The application must be filed by March 1 to receive an exemption for that year.
 - Allowed to have only one homestead property at any given time. If the owner has any other homestead, even in another state, he is ineligible.
- [Philadelphia](#): The assessed value of the property is reduced by \$45,000. Most homeowners will save \$629 a year on their Real Estate Tax bill.
 - Many state statutes provide flexibility to cities to carry out their own exemptions
 - Philadelphia Homestead Exclusion [application](#)

Recommendations

As of February 1, 2021, New Castle County has [agreed to conduct a reassessment of properties](#) by July 2023. With the other counties soon to follow, property reassessment can have negative consequences on low-income populations and those unable to afford the significant increase to the amount owed on reassessed amounts. The recommendations that follow highlight Homestead exemption actions enacted in other states that may be worth considering in Delaware.

1. **Enact Statewide Homestead Exemption Law** –provides a specific amount allowed to be reduced from the assessed property value
 - a. [Hawaii](#): Qualifying homeowners can get up to \$100,000 deducted from the assessed value of their home
 - i. Under age 59: \$12,000 exemption
 - ii. Age 60-69: \$24,000; counties may increase

- iii. Age 70 or older: \$30,000; counties may increase
- b. D.C. – Qualifying homeowners get deductions based on age, adjusted gross income, and primary residence.

Homestead Exemption: Type	Eligible Homeowners	Benefit	Limit
Exemption	All ages	\$67,500 of AV, increased annually, beginning October 1, 2012	None
Credit	Age 65 and older; disabled	50% of Property Tax due	\$100,000

Other Considerations/Potential Add-ons

Eligibility – Must be domiciled in DE; live in it as primary residence

- ii. **Age requirement** – Ex: Under 65 get up to \$ [redacted]; Qualifying Seniors (65 and older) and disabled veterans \$ [redacted] of assessed value.
- iii. **Income** – Only available to people with a certain amount of income
- iv. **Assessed value:** only up to a certain cost of a home (Ex: homes assessed \$600k or less)
- v. People with Disabilities; Disabled Veterans; surviving spouses;
- vi. Make application available through State website
 - a. Filed by certain date; if after, only can qualify for 50% of the deduction
- vii. **Inherited Homestead:** Heir property is property owned by one or more individuals, where at least one owner claims the property as a residence homestead, and the property was acquired by will, transfer on death deed, or intestacy.
- viii. Texas: **Charitable Organizations and businesses**