

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 980

(Senator Salling)

Budget and Taxation

Ways and Means

Property Tax - Credit for Dwelling House of Disabled Veterans and Surviving Spouses - Alterations

This bill alters a local option property tax credit for specified disabled veterans and surviving spouses beginning in fiscal 2027 by repealing (1) the maximum income eligibility requirement and (2) the amount of the property tax credit that may be provided based on specified disability ratings. Instead, the bill authorizes county and municipal governments to determine the amount of the property tax credit and any additional eligibility criteria, including criteria based on income and disability rating. **The bill takes effect June 1, 2026, and applies to taxable years beginning after June 30, 2026.**

Fiscal Summary

State Effect: None.

Local Effect: Local property tax revenues may decrease beginning in FY 2027 to the extent that local jurisdictions grant the property tax credit; and the changes to existing eligibility requirements result in additional individuals becoming eligible for the property tax credit and existing recipients receiving a higher property tax credit. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Bill Summary/Current Law: Under current law, county and municipal governments are authorized to grant a property tax credit against the county or municipal property tax imposed on a dwelling house of a disabled veteran. In order to qualify for the property tax

credit, the disabled veteran's federal adjusted gross income (FAGI) for the immediately preceding taxable year cannot exceed \$100,000. The amount of the property tax credit is based on the disabled veteran's level of service-connected disability:

- 50% of the county or municipal property tax for a service-connected disability rating of at least 75% but not more than 99%; or
- 25% of the county or municipal property tax for a service-connected disability rating of at least 50% but not more than 74%.

The bill repeals these provisions, and instead authorizes local governments to determine the amount of the property tax credit and any additional eligibility criteria, including criteria based on income and disability rating.

Under current law, a disabled veteran must apply for the property tax credit by providing to the county or municipality (1) a copy of the disabled veteran's discharge certificate from active military, naval, or air service and (2) a certification of the disabled veteran's disability from the Veterans Administration (VA). The disabled veteran's certificate of disability may not be inspected by individuals other than the disabled veteran or appropriate employees of the county or municipality.

Under current law, a disabled veteran is defined as an individual who is honorably discharged or released under honorable circumstances from active military, naval, or air service as defined in 38 U.S.C. § 101. In addition, the individual must have been declared by the VA to have: (1) a permanent service-connected disability of at least 50% that results from blindness or any other disabling cause that is reasonably certain to continue for the life of the veteran and was not caused or incurred by misconduct of the veteran; or (2) a nonpermanent service-connected disability of 100% that results from blindness or any other disabling cause that was not caused or incurred by misconduct.

Local Fiscal Effect: Local property tax revenues may decrease beginning in fiscal 2027 to the extent that local jurisdictions grant the property tax credit, and the changes to existing eligibility requirements result in additional individuals becoming eligible for the property tax credit and existing recipients receiving a higher property tax credit. The amount of the revenue decrease depends on several factors including: (1) the number of eligible veterans and surviving spouses in each jurisdiction that become eligible for the tax credit due to changes made by local governments regarding the amount of the credit, income limits, and eligible disability ratings; (2) the assessed value of each eligible dwelling; and (3) local property tax rates.

Currently, only three counties (Anne Arundel, Frederick, and Montgomery) have authorized this property tax credit.

As a point of reference, there are approximately 331,900 veterans in Maryland, of which 34.1% have a service-connected disability rating as shown in **Exhibit 1**. Approximately 30,700 disabled veterans are currently receiving a property tax exemption due to a 100% service-connected disability. Therefore, approximately 82,400 disabled veterans may be eligible for this property tax credit, depending on criteria established by local governments.

Exhibit 1
Level of Service-Connected Disability Rating for Maryland Veterans
2024

	<u>Number</u>	<u>Percent of Total</u>
Total	331,906	100.0%
No service-connected disability	218,849	65.9%
Service-connected disability	113,057	34.1%
0 percent	3,399	1.0%
10 or 20 percent	17,760	5.4%
30 or 40 percent	12,354	3.7%
50 or 60 percent	13,184	4.0%
70 percent or higher	63,024	19.0%
Rating not reported	3,336	1.0%

Source: American Community Survey, U.S. Census Bureau

Additional information on local property tax credits and exemptions is provided in the [Guide to Local Government Taxing Authority](#). Information on local property tax rates and revenues can be found in the [County Revenue Outlook Report](#). A copy of both reports is available on the Department of Legislative Services [website](#).

Additional Comments: The following is a brief summary of the existing State and local property tax exemption for disabled veterans with a 100% service-connected disability rating.

Property Tax Exemption for Disabled Veterans and Surviving Spouses

The real property owned by disabled veterans, as their legal residence, is exempt from taxation if specified requirements are met. A disabled veteran is an individual who is honorably discharged or released under honorable circumstances from active service in any branch of the U.S. Armed Forces. To qualify for the tax exemption, the disabled veteran must have a 100% service-connected disability rating. Real property owned by the

surviving spouse of a disabled veteran and the surviving spouse of an individual who died in the line of duty while in active military, naval, or air service of the United States is exempt from taxation. In addition, a home owned by the surviving spouse of a veteran of the U.S. Armed Forces who receives Dependency and Indemnity Compensation from the VA is eligible for a property tax exemption under specified circumstances.

A disabled veteran or a surviving spouse of a disabled veteran must apply for a property tax exemption by providing to the Supervisor of Assessments (1) a copy of the disabled veteran's discharge certificate from active military, naval, or air service and (2) on the form provided by the department, a certification of the disabled veteran's disability from the VA or a rating decision of the disabled veteran's disability from the VA that includes the effective date of the rating decision. The disabled veteran's certificate of disability may not be inspected by individuals other than (1) the disabled veteran or (2) appropriate employees of the State, a county, or a municipality.

Fiscal Impact of Current Exemption

For fiscal 2026, 32,299 property owners are receiving a property tax exemption for being a disabled veteran (30,697), a surviving spouse (1,556), or a disabled active-duty service member (46), and the assessment for these properties is approximately \$15.3 billion. The average exemption is \$400,315, and the associated State revenue loss from these exemptions totaled approximately \$17.2 million, based on a \$0.112 State property tax rate. All State property tax revenues are credited to a special fund, the Annuity Bond Fund, dedicated exclusively to paying the debt service on State GO bonds. Local governments generally have the authority to set their own property tax rates. Based on the average combined county-municipal property tax rate, the projected local revenue loss from the current exemption could total approximately \$190 million.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Association of Counties; Maryland Municipal League; Comptroller's Office; Department of Legislative Services

Fiscal Note History:
jg/hlb

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