

Real Estate Tax Relief for Homeowners

Whose Principal Residences are Titled in the name of a Trust

On May 15, 2014, the Governor of Maryland signed legislation that affords homestead tax credits for principal residences that are owned in the name of a trust. To qualify for the tax credit, the settlor, grantor or beneficiary of the trust cannot pay rent or other remuneration to live in the dwelling and legal title to the dwelling must be held in the name of the trust or the trustees. This is good news since it is often desirable for tax or estate planning reasons for your principal residence to be titled in the name of a trust. In the past, only revocable trusts, also sometimes called “living” trusts could qualify for this credit. Now, any trust is eligible as long as a few other requirements are met. For example, the credit could be available for a primary residence held in a qualified personal residence trust (or “QPRT”) during the period in which the grantor or settlor reserved the right to reside in the residence rent free, or for a primary residence held in any other type of trust that gives the beneficiary the right to reside in the residence rent free.

The homestead tax credit limits the increase in taxable assessments of your principal residence to a fixed percentage, currently 10% or less each year (depending on the county or municipality of the residence). Limiting the increase in the tax assessment, of course, results in a lower tax liability. Also, the “homeowner,” which is defined as a person who has a legal interest in the dwelling and now includes the settlor, grantor or beneficiary of a trust, must use the property as his or her principal residence for at least six months of the year, including July 1st of the year in which the new assessed value of the residence is established. A homeowner may have only one principal residence.

The new law takes effect on June 1, 2014. If your property is now owned by a trust and is not designated as your principal residence, an Application for Homestead Tax Credit Eligibility should be filed with the Maryland State Department of Assessments and Taxation (SDAT). SDAT is expected to develop a new application form shortly. To learn more about the Homestead Tax Credit program, go to www.dat.state.md.us/sdatweb/homestead.html. For questions about the Homestead Tax Credit, call 1-866-650-8783 or contact our real estate or estate planning departments.

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