

EMERGENCY BILL

Q1

6lr0738

(PRE-FILED)

**By: Chairman, Budget and Taxation Committee (Departmental - Assessments and Taxation)**

Requested: November 1, 1995

Introduced and read first time: January 10, 1996

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 29, 1996

CHAPTER \_\_\_\_

1 AN ACT concerning

2 **Property Tax - Semiannual Payment**

3 FOR the purpose of specifying which installments of property tax must be paid prior to  
4 the transfer of a property; clarifying the duties and obligations of tax collectors in  
5 collecting and depositing interest, penalties, and service charges on property taxes;  
6 defining a term; providing for the effective date and liability for property taxes when  
7 certain buyers elect to pay property taxes in installments; specifying the duration of  
8 a semiannual property tax payment schedule election; ~~authorizing a county or~~  
9 ~~municipal corporation to adopt certain procedures for prebilling tax payment~~  
10 ~~schedule elections; requiring counties and municipal corporations to notify~~  
11 ~~taxpayers of the availability of the semiannual property tax payment option in a~~  
12 ~~certain manner; requiring that certain information be included in certain newspaper~~  
13 ~~advertisements; requiring escrow account servicers to pay taxes in a certain manner~~  
14 ~~under certain circumstances; providing for the application of certain service~~  
15 ~~charges; altering the required format for certain tax bills; clarifying that certain~~  
16 ~~service charges are a lien for purposes of tax sales; repealing the imposition of a~~  
17 ~~certain portion of a certain service charge for semiannual property tax payments;~~  
18 ~~requiring local governments by a certain date to submit information that~~  
19 ~~substantiates a proposed service charge is an estimate of the interest to be lost as a~~  
20 ~~result of the semiannual property tax payment; requiring local taxing authorities to~~  
21 ~~obtain the prior approval of the Department of Assessments and Taxation of a~~  
22 ~~certain service charge; providing for a delayed effective date for part of this Act;~~  
23 making this Act an emergency measure; and generally relating to provisions for  
24 semiannual payment of property taxes.

25 BY adding to

2

1 Article - Real Property  
2 Section 3-104(c)(5)  
3 Annotated Code of Maryland  
4 (1988 Replacement Volume and 1995 Supplement)

5 BY repealing and reenacting, with amendments,  
6 Article - Tax - Property  
7 Section 4-201, 4-202, 4-402, 10-204.3, 10-402(a), and 14-801  
8 Annotated Code of Maryland  
9 (1994 Replacement Volume and 1995 Supplement)

10 BY repealing and reenacting, with amendments,  
11 Article - Tax - Property  
12 Section 10-204.3 (g), (h), (i), and (j)  
13 Annotated Code of Maryland  
14 (1994 Replacement Volume and 1995 Supplement)  
15 (As enacted by Section 1 of this Act)

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
17 MARYLAND, That the Laws of Maryland read as follows:

18 **Article - Real Property**

19 3-104.

20 (c) (5) IF A BUYER ELECTS AT THE TIME OF TRANSFER A SEMIANNUAL  
21 PAYMENT SCHEDULE FOR THE PAYMENT OF PROPERTY TAXES FOR THE CURRENT  
22 TAXABLE YEAR UNDER § 10-204.3 OF THE TAX - PROPERTY ARTICLE, ONLY THOSE  
23 INSTALLMENTS WHICH ARE DUE MUST BE PAID PRIOR TO THE TRANSFER OF THE  
24 PROPERTY.

25 **Article - Tax - Property**

26 4-201.

27 (a) Each collector shall collect:

28 (1) for property listed on the tax roll, the State and county taxes that are due  
29 and any interest [and], penalties, AND SERVICE CHARGES on the property tax that [is]  
30 ARE due; and

31 (2) any tax on personal property imposed by § 10-210 of this article.

32 (b) Except as otherwise provided by law, on request of a municipal corporation or  
33 special taxing district, a collector may collect municipal corporation or special taxing  
34 district taxes.

35 (c) Except as otherwise provided by law, the collector shall remit the taxes  
36 collected during any month, and interest [or], penalties, OR SERVICE CHARGES on the  
37 taxes collected:

3

1 (1) for the county, to the appropriate county official on or before the 10th  
2 day of the following month;

3 (2) for a municipal corporation, to the appropriate municipal corporation  
4 official; and

5 (3) for a special district, to the appropriate officer of the district.

6 4-202.

7 (a) The collector for each county shall:

8 (1) deposit State taxes, AND ANY INTEREST, PENALTY, OR SERVICE  
9 CHARGES ON THE TAXES, collected at the intervals and in the manner designated by the  
10 Comptroller; and

11 (2) on or before the 10th day of each month, submit a report to the  
12 Comptroller of State taxes, AND ANY INTEREST, PENALTY, OR SERVICE CHARGES ON  
13 THE TAXES, collected during the prior month.

14 (b) A violation of this section by a collector is subject to the penalties in §§  
15 14-1015 and 14-1016 of this article.

16 4-402.

17 If a collector fails to remit taxes or the interest [and] penalty, AND SERVICE  
18 CHARGES on the taxes, to the State or the county as provided under this title, the  
19 collector shall be charged interest at the rate of 6% a year on all taxes, interest, [and,]  
20 penalties, AND SERVICE CHARGES not paid to the State or county from the time they are  
21 due.

22 10-204.3.

23 (A) IN THIS SECTION, "OWNER-OCCUPIED RESIDENTIAL PROPERTY" MEANS  
24 THE PRINCIPAL RESIDENCE OF A HOMEOWNER AS DEFINED IN § 9-105 OF THIS  
25 ARTICLE.

26 [(a)] (B) Notwithstanding Subtitle 1 of this title:

27 (1) the governing body of a county shall provide an optional semiannual  
28 payment schedule for State, county, and special taxing district property taxes due on  
29 owner-occupied residential property; and

30 (2) the governing body of a municipal corporation shall provide an optional  
31 semiannual payment schedule for municipal corporation and special taxing district  
32 property taxes due on owner-occupied residential property.

33 [(b)] (C) A semiannual payment schedule under this section:

34 (1) may be elected at the time of the transfer of property purchased on or  
35 after July 1, 1995; and

36 (2) may be elected on an annual basis by any current or future owner of  
37 owner-occupied residential property, regardless of whether the property was purchased  
38 before July 1, 1995.

4

1            [(c)] (D) (1) A semiannual payment schedule election under subsection  
2 [(b)(1)] (C)(1) of this section shall apply to:

3                            (I) The property tax due for the tax year following transfer of the  
4 property; AND

5                            (II) THE PROPERTY TAX DUE AND NOT IN ARREARS FOR THE  
6 CURRENT TAX YEAR FOR ANY TRANSFER OCCURRING BETWEEN JULY 1 AND  
7 JANUARY 1 OF PROPERTY THAT IS CURRENTLY SUBJECT TO A SEMIANNUAL  
8 SCHEDULE OF PROPERTY TAX PAYMENT.

9                            (2) ONCE THE PROPERTY OWNER ELECTS TO PAY PROPERTY TAXES  
10 ACCORDING TO A SEMIANNUAL PAYMENT SCHEDULE, THAT ELECTION SHALL  
11 REMAIN EFFECTIVE UNTIL CHANGED BY THE PROPERTY OWNER OR THE PROPERTY  
12 IS TRANSFERRED.

13                            (3) AN ELECTION OF A SEMIANNUAL PAYMENT SCHEDULE MAY NOT BE  
14 EFFECTIVE UNLESS THE FIRST INSTALLMENT IS PAID ACCORDING TO THE TERMS OF  
15 THE COUPON ON OR BEFORE SEPTEMBER 30.

16                            (E) (1) A COUNTY OR MUNICIPAL CORPORATION ~~MAY SHALL~~ ADOPT  
17 PROCEDURES TO ~~REQUIRE PROPERTY OWNERS TO MAKE A SEMIANNUAL PAYMENT~~  
18 ~~SCHEDULE ELECTION PRIOR TO THE ISSUANCE OF PROPERTY TAX BILLS. NOTIFY~~  
19 ~~TAXPAYERS OF THE AVAILABILITY OF THE SEMIANNUAL PROPERTY TAX PAYMENT~~  
20 ~~OPTION.~~

21                            ~~(2) PROCEDURES ADOPTED UNDER THIS SUBSECTION:~~

22                            ~~(I) SHALL PROVIDE FOR AN ANNUAL WRITTEN NOTICE MAILED~~  
23 ~~TO ALL CURRENT OWNERS OF OWNER OCCUPIED RESIDENTIAL PROPERTY THAT~~  
24 ~~ALLOWS THE OWNER AT LEAST 60 DAYS TO ELECT A PAYMENT OPTION; AND~~

25                            ~~(II) MAY NOT ESTABLISH A DEADLINE FOR MAKING AN ELECTION~~  
26 ~~THAT IS EARLIER THAN JUNE 1 PRECEDING THE TAX BILL.~~

27                            (2) (I) A COUNTY OR MUNICIPAL CORPORATION SHALL NOTIFY  
28 PROPERTY OWNERS ON AN ANNUAL BASIS ABOUT THE AVAILABILITY OF THE  
29 SEMIANNUAL PROPERTY TAX PAYMENT OPTION THROUGH NEWSPAPER  
30 ADVERTISEMENTS.

31                            (II) THE NEWSPAPER ADVERTISEMENTS SHALL INCLUDE  
32 INFORMATION ABOUT THE SEMIANNUAL PAYMENT OPTION AND A TEAR-OUT FORM  
33 THAT CAN BE USED BY TAXPAYERS TO REQUEST THAT THEIR PROPERTY TAXES BE  
34 PAID ON A SEMIANNUAL BASIS TO MORTGAGE COMPANIES OR OTHER ESCROW  
35 ACCOUNT SERVICERS.

36                            (III) THE NEWSPAPER ADVERTISEMENT SHALL BE PUBLISHED AT  
37 LEAST TWO TIMES DURING THE MONTH OF MARCH OF EACH YEAR.

38                            [(d)] (F) A property owner electing to pay real property taxes under a semiannual  
39 payment schedule shall pay a service charge with the second installment.

40                            [(e)] (G) The service charge:

5

1 (1) shall be:

2 (i) adopted by the taxing authority THAT COLLECTS THE PROPERTY  
3 TAXES as part of adoption of the property tax rate under §§ 6-301 through 6-303 of this  
4 article;

5 (II) APPLICABLE TO ALL PROPERTY TAX BEING COLLECTED BY  
6 THE TAXING AUTHORITY ON THE SEMIANNUAL PAYMENT SCHEDULE FOR ITSELF  
7 AND FOR ANY OTHER TAXING AUTHORITY;

8 [(ii)] (III) expressed as a percent of the amount of tax due at the  
9 second installment and shown on the tax bill as a percent and actual dollar amount  
10 charged; and

11 [(iii)] (IV) calculated in an amount:

12 1. reasonably equivalent to the anticipated lost interest income  
13 associated with the delay in payment of the second installment; and

14 2. covering administrative expenses associated with the  
15 semiannual payment not exceeding 25% of the charge for lost interest; and

16 (2) may not be considered to be a property tax for the purposes of any  
17 provision of a local law or charter that limits the property tax rate or property tax  
18 revenues.

19 [(f)] (H) The property tax bill under a semiannual ~~payment~~ PAYMENT schedule{:

20 (1)} shall state:

21 {(i)}~~(1)~~ the amount of the tax due if paid in full, including any  
22 applicable discounts for early payment;

23 {(ii)}~~(2)~~ the amount of the tax due if paid in semiannual installments,  
24 including any applicable discounts for early payment of the first installment;

25 {(iii)}~~(3)~~ the amount of service charge to be paid with the second  
26 installment; and

27 {(iv)}~~(4)~~ the date the tax payment is due{; and

28 (2) shall include two semiannual payment coupons that may be submitted  
29 either separately with the appropriate payment as semiannual payments or at the same  
30 time with a single annual payment{.

31 [(g)] (I) A payment under a semiannual schedule is due:

32 (1) for the first installment:

33 (i) on July 1 of the tax year; and

34 (ii) may be paid without interest on or before September 30 of the tax  
35 year; and

36 (2) for the second installment:

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1 (i) on January 1 of the tax year; and

2 (ii) except for the service charge, may be paid without interest on or  
3 before January 31 of the tax year.

4 [(h)] (J) (1) If an escrow account is established for the payment of the property  
5 tax, the tax shall be paid ESCROW ACCOUNT SERVICER SHALL PAY TAX in annual or  
6 semiannual installments as directed by the property owner or borrower PAYMENTS  
7 UNLESS THE ESCROW ACCOUNT SERVICER HAS RECEIVED WRITTEN DIRECTION  
8 FROM THE PROPERTY OWNER OR BORROWER TO PAY PROPERTY TAX IN  
9 SEMIANNUAL INSTALLMENTS.

10 (2) IF A TAXPAYER PROVIDES WRITTEN DIRECTION TO AN ESCROW  
11 ACCOUNT SERVICER AT LEAST 60 DAYS PRIOR TO THE BEGINNING OF THE TAX  
12 YEAR, PROPERTY TAXES SHALL BE PAID ON A SEMIANNUAL PAYMENT BASIS ON  
13 BEHALF OF THAT TAXPAYER BY THE ESCROW ACCOUNT SERVICER IN THE TAX  
14 YEAR THAT BEGINS IMMEDIATELY FOLLOWING THE YEAR IN WHICH THE WRITTEN  
15 DIRECTION WAS RECEIVED.

16 (3) IF A TAXPAYER PROVIDES WRITTEN DIRECTION TO AN ESCROW  
17 ACCOUNT SERVICER LESS THAN 60 DAYS PRIOR TO THE BEGINNING OF THE TAX  
18 YEAR, PROPERTY TAXES MAY BE PAID ON A SEMIANNUAL PAYMENT BASIS ON  
19 BEHALF OF THAT TAXPAYER BY THE ESCROW ACCOUNT SERVICER IN THE TAX  
20 YEAR THAT BEGINS IMMEDIATELY FOLLOWING THE YEAR IN WHICH THE WRITTEN  
21 DIRECTION WAS RECEIVED.

22 10-402.

23 (a) (1) Except for tax sales as provided by Title 14, Subtitle 8 of this article, if  
24 real property ownership is transferred between the date of finality and semiannual date of  
25 finality, the transferee is liable for the property tax on real property for the taxable year  
26 that begins after the transfer.

27 (2) IF REAL PROPERTY OWNERSHIP IS TRANSFERRED BETWEEN JULY 1  
28 AND JANUARY 1, AND THE TRANSFEREE ELECTS A SEMIANNUAL PAYMENT  
29 SCHEDULE OF PROPERTY TAX FOR THE CURRENT TAXABLE YEAR UNDER § 10-204.3  
30 OF THIS ~~ARTICLE~~ TITLE, THE TRANSFEROR IS LIABLE FOR ANY SEMIANNUAL  
31 PROPERTY TAX INSTALLMENT THAT MAY BE DUE FOR THE REAL PROPERTY IN THE  
32 CURRENT TAXABLE YEAR AT THE TIME OF TRANSFER, AND IS NOT LIABLE FOR THE  
33 SECOND SEMIANNUAL INSTALLMENT THAT IS DUE AFTER THE DATE OF TRANSFER.  
34 THE TRANSFEREE IS SOLELY LIABLE FOR ANY SEMIANNUAL PROPERTY TAX  
35 INSTALLMENT FOR THE CURRENT TAXABLE YEAR THAT IS DUE AFTER THE DATE  
36 OF TRANSFER.

37 [(2)] (3) [Paragraph (1) of this] THIS subsection does not preclude the  
38 transferor and the transferee of real property that is subject to this subsection from  
39 adjusting the property tax OR SERVICE CHARGES for any year between them.

40 14-801.

41 (a) In §§ 14-801 through 14-854 of this subtitle, the following words have the  
42 meanings indicated.

7

1 (b) "Other taxing agency" means any municipal corporation or other public or  
2 quasi-public corporation that may impose a tax of any kind which is or may become a lien  
3 on real property.

4 (c) (1) "Tax" means any tax, or charge of any kind due to the State or any of its  
5 political subdivisions, or to any other taxing agency, that by law is alien against the real  
6 property on which it is imposed or assessed.

7 (2) "Tax" includes interest [and], penalties, AND SERVICE CHARGES.

8 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
9 read as follows:

10 Article - Tax - Property

11 10-204.3.

12 (g) The service charge:

13 (1) shall be:

14 (i) adopted by the taxing authority that collects the property taxes  
15 AFTER OBTAINING THE PRIOR APPROVAL OF THE AMOUNT OF THE SERVICE  
16 CHARGE FROM THE DEPARTMENT, as part of adoption of the property tax rate under §§  
17 6-301 through 6-303 of this article;

18 (ii) applicable to all property tax being collected by the taxing  
19 authority on the semiannual payment schedule for itself and for any other taxing  
20 authority;

21 (iii) expressed as a percent of the amount of tax due at the second  
22 installment and shown on the tax bill as a percent and actual dollar amount charged; and

23 (iv) calculated in an amount[;

24 1.] reasonably equivalent to the anticipated lost interest income  
25 associated with the delay in payment of the second installment; [and

26 2. covering administrative expenses associated with the  
27 semiannual payment not exceeding 25% of the charge for lost interest;] and

28 (2) may not be considered to be a property tax for the purposes of any  
29 provision of a local law or charter that limits the property tax rate or property tax  
30 revenues.

31 (H) THE LOCAL TAXING AUTHORITY SHALL PROVIDE TO THE DEPARTMENT  
32 BY MAY 1 OF EACH YEAR, INFORMATION THAT SUBSTANTIATES THAT THE  
33 PROPOSED SERVICE CHARGE FOR THE ANTICIPATED LOST INTEREST IS  
34 REASONABLY EQUIVALENT TO THE AMOUNT OF INTEREST THAT WILL BE LOST AS A  
35 RESULT OF THE SEMIANNUAL PAYMENT.

36 [(h)] (I) The property tax bill under a semiannual payment schedule:

37 (1) shall state:

1 (i) the amount of the tax due if paid in full, including any applicable  
2 discounts for early payment;

3 (ii) the amount of the tax due if paid in semiannual installments,  
4 including any applicable discounts for early payment of the first installment;

5 (iii) the amount of service charge to be paid with the second  
6 installment; and

7 (iv) the date the tax payment is due; and

8 (2) shall include two semiannual payment coupons that may be submitted  
9 either separately with the appropriate payment as semiannual payments or at the same  
10 time with a single annual payment.

11 [(i)] (J) A payment under a semiannual schedule is due:

12 (1) for the first installment:

13 (i) on July 1 of the tax year; and

14 (ii) may be paid without interest on or before September 30 of the tax  
15 year; and

16 (2) for the second installment:

17 (i) on January 1 of the tax year; and

18 (ii) except for the service charge, may be paid without interest on or  
19 before January 31 of the tax year.

20 [(j)] (K) (1) If an escrow account is established for the payment of the property  
21 tax, the escrow account servicer shall pay tax in annual payments unless the escrow  
22 account servicer has received written direction from the property owner or borrower to  
23 pay property tax in semiannual installments.

24 (2) If a taxpayer provides written direction to an escrow account servicer at  
25 least 60 days prior to the beginning of the tax year, property taxes shall be paid on a  
26 semiannual payment basis on behalf of that taxpayer by the escrow account servicer in the  
27 tax year that begins immediately following the year in which the written direction was  
28 received.

29 (3) If a taxpayer provides written direction to an escrow account servicer  
30 less than 60 days prior to the beginning of the tax year, property taxes may be paid on a  
31 semiannual payment basis on behalf of that taxpayer by the escrow account servicer in the  
32 tax year that begins immediately following the year in which the written direction was  
33 received.

34 SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act  
35 shall take effect July 1, 1998.

36 SECTION 2- 4. AND BE IT FURTHER ENACTED, That this Act is an  
37 emergency measure, is necessary for the immediate preservation of the public health and  
38 safety, has been passed by a ye and nay vote supported by three-fifths of all the members

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1 elected to each of the two Houses of the General Assembly, and, except as provided in  
2 Section 3 of this Act, shall take effect from the date it is enacted.