
By: **Delegates Pendergrass, Bobo, Miller, Quinter, and F. Turner**

Introduced and read first time: February 3, 2004

Assigned to: Environmental Matters

Committee Report: Favorable

House action: Adopted

Read second time: March 17, 2004

CHAPTER 507

1 AN ACT concerning

2 **Homeowners Associations - Annual Charges**

3 FOR the purpose of requiring a homeowners association to base a certain annual
4 charge on a certain phased in value under certain circumstances; requiring the
5 governing body of a homeowners association to provide a rebate or credit from a
6 certain annual charge under certain circumstances; providing that, when
7 calculating a certain annual charge, a homeowners association may not consider
8 the rate of assessed value of property to have increased by more than a certain
9 amount in a taxable year under certain circumstances; defining a certain term;
10 stating the intent of the General Assembly; clarifying that certain valuations of
11 property for certain purposes shall be a certain percentage of the phased in
12 value; providing for the application of this Act; making the provisions of this Act
13 severable; and generally relating to an annual charge imposed by a homeowners
14 association.

15 BY adding to
16 Article - Real Property
17 Section 11B-113.1
18 Annotated Code of Maryland
19 (2003 Replacement Volume and 2003 Supplement)

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

1 **Article - Real Property**

2 11B-113.1.

3 (A) IT IS THE INTENT OF THE GENERAL ASSEMBLY TO PREVENT UNFAIR
4 TREATMENT OF PROPERTY OWNERS BY A HOMEOWNERS ASSOCIATION WHEN
5 ANNUAL CHARGES BASED ON THE ASSESSED VALUE OF PROPERTY IMPOSED BY THE
6 HOMEOWNERS ASSOCIATION INCREASE AT SUCH A RATE THAT IT CREATES AN
7 UNEXPECTED WINDFALL FOR THE HOMEOWNERS ASSOCIATION.

8 (B) IN THIS SECTION, THE TERM "ANNUAL CHARGE" MEANS A CHARGE BASED
9 ON THE CURRENT ASSESSED VALUE OF PROPERTY FOR COUNTY AND STATE
10 PROPERTY TAXES THAT IS LEVIED BY A HOMEOWNERS ASSOCIATION ON PROPERTY
11 IN A DEVELOPMENT.

12 (C) THIS SECTION ONLY APPLIES TO A DEVELOPMENT THAT:

13 (1) CONTAINS AT LEAST 13,000 ACRES OF LAND AND HAS A POPULATION
14 OF AT LEAST 80,000; AND

15 (2) IS GOVERNED BY A HOMEOWNERS ASSOCIATION THAT LEVIES AN
16 ANNUAL CHARGE ON PROPERTY WITHIN THE DEVELOPMENT.

17 (D) A HOMEOWNERS ASSOCIATION SHALL BASE THE ANNUAL CHARGE FOR
18 THE REVALUED PROPERTIES ON THE PHASED IN VALUE OF PROPERTY AS PROVIDED
19 UNDER § 8-103 OF THE TAX - PROPERTY ARTICLE.

20 (E) UNTIL THE ANNUAL CHARGE FOR THE REVALUED PROPERTY IS BASED ON
21 THE PHASED IN VALUE OF PROPERTY AS REQUIRED UNDER SUBSECTION (D) OF THIS
22 SECTION, IF THE VALUE OF THE PROPERTIES REVALUED AS OF THE MOST RECENT
23 DATE OF FINALITY AS PROVIDED IN § 8-104 OF THE TAX - PROPERTY ARTICLE
24 EXCEEDS THE PRIOR VALUATION BY MORE THAN 10%:

25 (1) THE INCREASE SHALL BE CONSIDERED AN UNEXPECTED WINDFALL
26 TO THE HOMEOWNERS ASSOCIATION THAT SHOULD BE OFFSET; AND

27 (2) BEGINNING WITH THE FIRST YEAR FOLLOWING THE REVALUATION
28 OF THE PROPERTY FOR STATE PROPERTY TAX PURPOSES, THE HOMEOWNERS
29 ASSOCIATION SHALL PROVIDE TO THE OWNER OF THE REVALUED PROPERTY A
30 REBATE OR CREDIT IN AN AMOUNT EQUAL TO THE PORTION OF THE ANNUAL
31 CHARGE THAT IS ATTRIBUTABLE TO THE GROWTH IN THE VALUE OF THE REVALUED
32 PROPERTY IN EXCESS OF 10%.

33 (F) SUBSECTIONS (D) AND (E) OF THIS SECTION DO NOT APPLY IF A
34 GOVERNING BODY CERTIFIES ON OR BEFORE APRIL 1 IN THE FIRST YEAR
35 FOLLOWING THE REVALUATION OF PROPERTY VALUES FOR STATE PROPERTY TAX
36 PURPOSES THAT THE REVENUES FROM THE ANNUAL CHARGES ARE INSUFFICIENT
37 TO MEET THE DEBT SERVICE REQUIREMENTS DURING THE NEXT TAXABLE YEAR ON
38 ALL BONDS THAT THE GOVERNING BODY ANTICIPATES WILL BE OUTSTANDING
39 DURING THAT YEAR.

1 (G) NOTWITHSTANDING ANY PROVISION OF THE LAW TO THE CONTRARY,
2 WHEN CALCULATING AN ANNUAL CHARGE, A HOMEOWNERS ASSOCIATION MAY NOT
3 CONSIDER THE RATE OF ASSESSED VALUE OF PROPERTY TO HAVE INCREASED BY
4 MORE THAN 10% IN A TAXABLE YEAR.

5 SECTION 2. AND BE IT FURTHER ENACTED, That, notwithstanding the
6 provisions of Section 1 of this Act, the valuation of real property for the purposes of
7 any private contract or covenant that was entered into or imposed prior to July 1,
8 1978, the effective date of Chapter 175 of the Acts of the General Assembly of 1978, for
9 the purpose of providing funds for public facilities or services through the imposition
10 of payments or charges based on valuations made by the State for real estate tax
11 purposes shall be 50% of the phased in value of property as provided under § 8-104 of
12 the Tax - Property Article.

13 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall be
14 construed to apply retroactively and shall be applied to and interpreted to affect all
15 annual charges imposed by a homeowners association made on or after January 1,
16 2003.

17 SECTION 4. AND BE IT FURTHER ENACTED, That if any provision of this
18 Act or the application thereof to any person or circumstance is held invalid for any
19 reason in a court of competent jurisdiction, the invalidity does not affect other
20 provisions or any other application of this Act which can be given effect without the
21 invalid provision or application, and for this purpose the provisions of this Act are
22 declared severable.

23 SECTION 5. AND BE IT FURTHER ENACTED, That this Act shall take effect
24 June 1, 2004.