

HOUSE BILL 463

Q1

(11r0699)

ENROLLED BILL

— Ways and Means/Budget and Taxation —

Introduced by **Delegates Elliott, Ross, Afzali, Arora, Aumann, Barve, Bates, Beidle, Beitzel, Boteler, Branch, Bromwell, Burns, Cardin, Cluster, Conaway, DeBoy, Donoghue, Eckardt, Fisher, Frank, Frick, Frush, George, Gilchrist, Glass, Glenn, Haddaway-Riccio, Haynes, Healey, Hogan, Holmes, Hough, Hubbard, Impallaria, Ivey, Jacobs, James, Jameson, Kach, Kaiser, K. Kelly, Kipke, Krebs, Love, McComas, McConkey, McDermott, McDonough, McMillan, A. Miller, W. Miller, Minnick, Mitchell, Morhaim, Murphy, Myers, O'Donnell, Olszewski, Parrott, Pena-Melnyk, Ready, B. Robinson, Schuh, Schulz, Serafini, Smigiel, Sophocleus, Stocksdale, Stukes, Szeliga, F. Turner, Valentino-Smith, Waldstreicher, Walker, and Wood**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this _____ day of _____ at _____ o'clock, _____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Property Tax – Semiannual Payment Schedule – Business Property**

3 FOR the purpose of ~~repealing a requirement that a small business may not have~~
4 ~~property taxes for the taxable year in excess of a certain amount to be eligible~~
5 altering a certain definition to increase the maximum total amount of property

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

Italics indicate opposite chamber/conference committee amendments.



1 *taxes for certain property for purposes of determining eligibility* for a semiannual
 2 payment schedule for State, county, municipal corporation, and special taxing
 3 district property taxes; providing for the application of this Act; and generally
 4 relating to a semiannual property tax payment schedule for business property.

5 BY repealing and reenacting, with amendments,
 6 Article – Tax – Property
 7 Section 10–204.3
 8 Annotated Code of Maryland
 9 (2007 Replacement Volume and 2010 Supplement)

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

12 **Article – Tax – Property**

13 10–204.3.

14 (a) (1) In this section the following words have the meanings indicated.

15 (2) “Owner–occupied residential property” means the principal
 16 residence of a homeowner as defined in § 9–105 of this article.

17 (3) [“Small business”] **“BUSINESS property”** means real property~~;~~

18 (i)~~;~~ that has been assigned a commercial use code by the
 19 Department~~;~~ and

20 (ii) for which the total State, county, municipal corporation, and
 21 special taxing district property taxes for the taxable year do not exceed ~~\$50,000~~
 22 **\$100,000**.

23 (b) Notwithstanding Subtitle 1 of this title:

24 (1) the governing body of a county shall provide a semiannual
 25 payment schedule for State, county, and special taxing district property taxes due on
 26 owner–occupied residential property or [small] business property; and

27 (2) the governing body of a municipal corporation shall provide a
 28 semiannual payment schedule for municipal corporation and special taxing district
 29 property taxes due on owner–occupied residential property or [small] business
 30 property.

31 (c) A semiannual payment schedule under this section shall apply:

1 (1) at the time of the transfer of property purchased on or after July 1,
2 2000; and

3 (2) to any current or future owner of owner-occupied residential
4 property or [small] business property, regardless of whether the property was
5 purchased before July 1, 2000.

6 (d) (1) The semiannual payment schedule under this section shall apply
7 to:

8 (i) the property tax due for the tax year following transfer of
9 the property; and

10 (ii) the property tax due and not in arrears for the current tax
11 year for any transfer occurring on or after July 1 but on or before September 30.

12 (2) The first installment of a semiannual payment shall be paid on or
13 before September 30.

14 (e) A semiannual payment schedule may include a service charge to be paid
15 with the second installment.

16 (f) A service charge:

17 (1) shall be:

18 (i) adopted by the taxing authority that collects the property
19 taxes after obtaining the prior approval of the amount of the service charge from the
20 Department, as part of adoption of the property tax rate under §§ 6-301 through
21 6-303 of this article;

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

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

28 (iv) calculated in an amount:

29 1. reasonably equivalent to the anticipated lost interest
30 income associated with the 3-month delay in payment of the second installment by
31 multiplying the amount of the second installment by a rate not exceeding 1.5%; and

32 2. covering administrative expenses associated with the
33 semiannual payment not exceeding the lesser of the actual expenses incurred in the

1 preceding fiscal year per semiannual tax account as approved by the State
2 Department of Assessments and Taxation or 10% of the charge for the anticipated lost
3 interest income as calculated in item 1 of this item;

4 (2) does not apply if both installments of property tax are paid on or
5 before September 30 of the taxable year; and

6 (3) may not be considered to be a property tax for the purposes of any
7 provision of a local law or charter that limits the property tax rate or property tax
8 revenues.

9 (g) The local taxing authority shall provide to the Department by May 1 of
10 each year, information that substantiates that the proposed service charge for the
11 anticipated lost interest is reasonably equivalent to the amount of interest that will be
12 lost as a result of the semiannual payment.

13 (h) (1) The property tax bill under a semiannual payment schedule:

14 (i) shall state:

15 1. the amount of the tax due if paid in full, including any
16 applicable discounts for early payment;

17 2. the amount of the tax due if paid in semiannual
18 installments, including any applicable discounts for early payment of the first
19 installment;

20 3. the amount of any service charge to be paid with the
21 second installment unless the second installment is paid on or before September 30 of
22 the taxable year;

23 4. that the service charge does not apply if both
24 installments are paid on or before September 30 of the taxable year; and

25 5. the date the tax payment is due; and

26 (ii) shall be subject to approval by the Department of
27 Assessments and Taxation.

28 (2) The Department shall approve any local semiannual payment
29 schedule collection that:

30 (i) provides efficient and cost-effective collection of taxes; and

31 (ii) provides two semiannual coupons, two semiannual billing
32 forms, or a similar method that allows taxpayers to pay on a semiannual basis.

1 (3) Local semiannual payment schedule collection systems that are not
2 approved by the Department shall utilize 2 semiannual payment coupons that shall be
3 submitted with the appropriate payment.

4 (i) A payment under a semiannual schedule:

5 (1) for the first installment:

6 (i) is due on July 1 of the tax year; and

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

9 (2) for the second installment:

10 (i) is due on December 1 of the tax year;

11 (ii) except for the service charge, may be paid without interest
12 on or before December 31 of the tax year; and

13 (iii) may be prepaid without the service charge or interest on or
14 before September 30 of the tax year.

15 (j) (1) If an escrow account is established for the payment of the property
16 tax, the escrow account servicer shall pay tax in semiannual installments unless the
17 escrow account servicer has received written direction from the property owner or
18 borrower to pay property tax in annual payments.

19 (2) If a taxpayer provides written direction to an escrow account
20 servicer at least 60 days prior to the beginning of the tax year, property taxes shall be
21 paid on an annual payment basis on behalf of that taxpayer by the escrow account
22 servicer in the tax year that begins immediately following the year in which the
23 written direction was received.

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

29 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
30 October 1, 2011, and shall be applicable to all taxable years beginning after June 30,
31 2012.