

HOUSE BILL 463

Q1

11r0699

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–Ricchio, 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

Introduced and read first time: February 7, 2011

Assigned to: Ways and Means

Committee Report: Favorable

House action: Adopted

Read second time: March 15, 2011

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 for a semiannual payment schedule for State, county, municipal corporation,
6 and special taxing district property taxes; providing for the application of this
7 Act; and generally relating to a semiannual property tax payment schedule for
8 business property.

9 BY repealing and reenacting, with amendments,
10 Article – Tax – Property
11 Section 10–204.3
12 Annotated Code of Maryland
13 (2007 Replacement Volume and 2010 Supplement)

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.



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

3 **Article – Tax – Property**

4 10–204.3.

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

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

8 (3) [“Small business] **“BUSINESS** property” means real property[:

9 (i)] that has been assigned a commercial use code by the
10 Department[; and

11 (ii) for which the total State, county, municipal corporation, and
12 special taxing district property taxes for the taxable year do not exceed \$50,000].

13 (b) Notwithstanding Subtitle 1 of this title:

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

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

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

22 (1) at the time of the transfer of property purchased on or after July 1,
23 2000; and

24 (2) to any current or future owner of owner–occupied residential
25 property or [small] business property, regardless of whether the property was
26 purchased before July 1, 2000.

27 (d) (1) The semiannual payment schedule under this section shall apply
28 to:

29 (i) the property tax due for the tax year following transfer of
30 the property; and

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

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

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

7 (f) A service charge:

8 (1) shall be:

9 (i) adopted by the taxing authority that collects the property
10 taxes after obtaining the prior approval of the amount of the service charge from the
11 Department, as part of adoption of the property tax rate under §§ 6–301 through
12 6–303 of this article;

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

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

19 (iv) calculated in an amount:

20 1. reasonably equivalent to the anticipated lost interest
21 income associated with the 3–month delay in payment of the second installment by
22 multiplying the amount of the second installment by a rate not exceeding 1.5%; and

23 2. covering administrative expenses associated with the
24 semiannual payment not exceeding the lesser of the actual expenses incurred in the
25 preceding fiscal year per semiannual tax account as approved by the State
26 Department of Assessments and Taxation or 10% of the charge for the anticipated lost
27 interest income as calculated in item 1 of this item;

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

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

33 (g) The local taxing authority shall provide to the Department by May 1 of
34 each year, information that substantiates that the proposed service charge for the

1 anticipated lost interest is reasonably equivalent to the amount of interest that will be
2 lost as a result of the semiannual payment.

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

4 (i) shall state:

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

7 2. the amount of the tax due if paid in semiannual
8 installments, including any applicable discounts for early payment of the first
9 installment;

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

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

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

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

18 (2) The Department shall approve any local semiannual payment
19 schedule collection that:

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

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

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

26 (i) A payment under a semiannual schedule:

27 (1) for the first installment:

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

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

1 (2) for the second installment:

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

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

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

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

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

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

21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
22 October 1, 2011, and shall be applicable to all taxable years beginning after June 30,
23 2012.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.