

Department of Legislative Services
2011 Session

FISCAL AND POLICY NOTE

House Bill 1280
Ways and Means

(Delegate Impallaria, *et al.*)

Task Force to Review Property Tax Assessment Procedures and the Assessment Appeals Process

This bill establishes a Task Force to Review Property Tax Assessment Procedures and the Assessment Appeals Process. The State Department of Assessments and Taxation (SDAT) must provide staff support to the task force. The task force must submit a report of its findings and recommendations to the Governor and the General Assembly by January 1, 2012.

The bill takes effect July 1, 2011, and terminates June 30, 2012.

Fiscal Summary

State Effect: Given the State's fiscal difficulties, agency budgets have been constrained. Thus, the requirement to staff the task force and develop the report may not be absorbable within the existing budgeted resources of SDAT. Instead, general fund expenditures in FY 2012 may increase by a minimal amount for contractual staff to support the task force and complete the required evaluation as well as for reimbursements for task force members. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The task force must (1) review the current property tax assessment procedures; (2) study the current three-step process by which a property owner may appeal a property assessment or reassessment for property taxation purposes; (3) evaluate the effectiveness of the current process, taking into account the ease of access and hearing accommodations; (4) evaluate reforms, including assessor training and assessor

qualifications similar to licensed real estate appraisers, an expanded Property Tax Assessment Appeals Board (PTAAB) with required qualifications for board members, and process or procedural updates to cost effectively streamline the assessment and appeals process; and (5) recommend any process or procedural updates based on task force findings.

Current Law: Real property is valued and assessed once every three years. This approach, the triennial assessment process, was part of major property tax reform established in 1979. Under this process, assessors from SDAT physically inspect each property every three years. No adjustments are made in the interim, except in the case of (1) a zoning change; (2) a substantial change in property use; (3) extensive improvements to the property; or (4) a prior erroneous assessment. The assessor determines the current “full market value” of the property and any increase in value is phased in over a three-year period. Any decrease, however, is recognized immediately for assessment purposes.

PTAABs hear appeals in matters relating to the assessment of property throughout the State. There is one board in each county and Baltimore City. Each board has four members who are appointed by the Governor for five-year terms. The first appeal of an assessment goes to SDAT, which determines the original assessment. PTAABs are the second level of appeal, with subsequent appeals going to the Maryland Tax Court. PTAAB has the following goals: to conduct appeals in a timely and efficient manner; and to render fair and accurate decisions.

Background: PTAABs heard 61% of their cases in calendar 2008, as shown in **Exhibit 1** due to a marked increase in the number of appeals filed in calendar 2008 as compared to 2007. According to the boards, the backlog of cases were due to increased appeals and board member vacancies. The board is expected to hear 87% of their cases for calendar 2011.

Exhibit 1
Timeliness and Efficiency Measures
Calendar 2007-2011

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>Est.</u> <u>2010</u> | <u>Est.</u> <u>2011</u> |
|---------------------------------------|-------------|-------------|-------------|----------------------------|----------------------------|
| Appeals Filed | 8,963 | 14,062 | 19,000 | 16,000 | 15,500 |
| Appeals Heard | 7,281 | 8,618 | 12,000 | 13,500 | 13,500 |
| Clearance Rate | 81% | 61% | 63% | 84% | 87% |
| Number of Appeals Pending at Year-end | 4,000 | 5,993 | 7,500 | 7,000 | 6,500 |

Source: Property Tax Assessment Appeals Boards

Additional Information

Prior Introductions: SB 458 of 2010 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, HB 204, received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: SB 498 (Senator Glassman) - Budget and Taxation.

Information Source(s): State Department of Assessments and Taxation, Property Tax Assessment Appeals Board, Department of Legislative Services

Fiscal Note History: First Reader - March 11, 2011
ncs/hlb

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