

**Department of Legislative Services**  
 Maryland General Assembly  
 2014 Session

**FISCAL AND POLICY NOTE**

Senate Bill 693 (Senator King)  
 Budget and Taxation

**Personal Property Tax Returns - Electronic Filing**

This bill requires the State Department of Assessments and Taxation (SDAT) to allow a person to use the department’s website to electronically file a specified report and to pay a filing fee required under Section 1-203(b)(3)(ii) of the Corporations and Associations Article. SDAT may charge a processing fee for each payment made electronically; however, the fee may not exceed the actual cost incurred by the department in processing the payment.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$1.0 million in FY 2015 and by \$100,000 annually beginning in FY 2016. To the extent that SDAT imposes a fee to cover processing costs, the increase in expenditures could be partially offset.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	1,000,000	100,000	100,000	100,000	100,000
Net Effect	(\$1,000,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Local government expenditures increase by \$1.0 million in FY 2015 and by \$100,000 annually beginning in FY 2016. County revenues are not affected.

**Small Business Effect:** Minimal.

## **Analysis**

**Current Law/Background:** By April 15 of each year, a business trust, statutory trust, domestic corporation, limited liability company, limited liability partnership, or limited partnership; a foreign corporation, foreign statutory trust, foreign limited liability company, foreign limited liability partnership, or foreign limited partnership registered or qualified to do business in the State must submit a personal property tax report to SDAT. A person who owns or owned personal property in the preceding calendar year that is subject to property tax must also file a personal property tax report. The report must (1) be in the form required by the department; (2) be under oath as the department requires; and (3) contain the information that the department requires.

SDAT may require a person to submit a report that contains a list of (1) all personal property assessable by the department and all personal property assessable but not previously assessed by the department that the person possesses, cares for, or manages; and (2) the name of each person who owns an item of the personal property, if the person (1) moves personal property to any county or municipality from the county or municipality where it was assessed; (2) moves personal property from outside this State to a county or municipality inside the State; or (3) possesses, cares for, or manages any personal property that is not assessed or the department suspects is not assessed.

If a person who has filed a report determines that information was not reported accurately, the person may file an amended report within three years after the April 15 that the original report was due. A person filing an amended report may only claim an exemption for personal property used in manufacturing if an exemption for personal property used in the manufacturing process was previously approved for that taxable year.

After reviewing an amended report, SDAT must (1) issue a corrected assessment notice; or (2) notify the person that the original assessment notice will not be adjusted. A person who receives a notice that an original assessment notice will not be adjusted may appeal the change in value or classification related to the corrected information or the denial notice as provided by law.

There were 309,614 personal property tax returns filed with SDAT for fiscal 2014.

**State Fiscal Effect:** SDAT reports that total expenditures associated with implementing the bill will increase by \$2.0 million in fiscal 2015 and by \$200,000 annually thereafter. This estimate reflects the cost of updating and modifying the department's website to allow the submission and processing of personal property tax reports as well as to allow taxpayers to pay a specified filing fee. The estimate assumes approximately \$1.6 million

in various development costs and \$400,000 in equipment costs. SDAT reports that annual costs of \$200,000 will be required beginning in fiscal 2016 for website maintenance and hosting charges. SDAT's website is hosted and maintained by the Center for Applied Technology at Towson University.

Chapter 397 of 2011 required the counties and Baltimore City to reimburse SDAT for (1) 90% of the costs of real property valuation; (2) 90% of the costs of business personal property valuation; and (3) 90% of the costs incurred by SDAT with regards to information technology in fiscal 2012 and 2013. Beginning in fiscal 2014, the counties and Baltimore City are required to reimburse SDAT for 50% of these costs. Local expenditures are calculated on the basis of each county's share of real property accounts and business personal property as a percentage of the total.

As a result, general fund expenditures will increase by \$1.0 million in fiscal 2015 and by \$100,000 annually thereafter. To the extent SDAT imposes a fee to cover processing costs, these expenditure may be partially offset.

**Local Fiscal Effect:** As noted, county governments are required to reimburse SDAT for 50% of the department's property valuation and information technology costs beginning in fiscal 2015. Based on the expenditures associated with implementing the bill, county expenditures will increase by \$1.0 million in fiscal 2015 and by \$100,000 annually beginning in fiscal 2016. **Exhibit 1** shows the estimated expenditures for each county, based on total business personal property assessable base for fiscal 2014.

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**Exhibit 1**  
**County Expenditure Increases under Legislation**  
**Fiscal 2015 and 2016**

<b>County</b>	<b>FY 2015</b>	<b>FY 2016</b>
Allegany	\$14,590	\$1,459
Anne Arundel	130,836	13,084
Baltimore City	82,466	8,247
Baltimore	138,766	13,877
Calvert	9,119	912
Caroline	3,727	373
Carroll	25,985	2,598
Cecil	18,476	1,848
Charles	55,506	5,551
Dorchester	2,062	206
Frederick	0	0
Garrett	7,137	714
Harford	42,423	4,242
Howard	75,251	7,525
Kent	0	0
Montgomery	174,448	17,445
Prince George's	134,801	13,480
Queen Anne's	0	0
St. Mary's	11,577	1,158
Somerset	2,260	226
Talbot	0	0
Washington	27,753	2,775
Wicomico	26,960	2,696
Worcester	15,859	1,586
<b>Total</b>	<b>\$1,000,000</b>	<b>\$100,000</b>

Source: State Department of Assessments and Taxation; Department of Legislative Services

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 434 (Delegates Arora and Barve) - Ways and Means.

**Information Source(s):** State Department of Assessments and Taxation, Department of Legislative Services

**Fiscal Note History:** First Reader - February 11, 2014  
ncs/hlb

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