

Department of Legislative Services
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 634

(Senator Glassman)

Budget and Taxation

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, 2015.

The bill takes effect July 1, 2014, and terminates June 30, 2015.

Fiscal Summary

State Effect: General fund expenditures increase by \$67,500 in FY 2015 for contractual staff to support the task force and complete the required evaluation. Expense reimbursements for task force members are assumed to be minimal and absorbable with existing resources. 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 equal 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 that are appointed by the Governor for five-year terms. The boards in 19 counties consist of four members (three regular members and one alternative member). Due to the enactment of Chapter 10 of 2011, the boards in five jurisdictions (Baltimore City and Anne Arundel, Baltimore, Montgomery, and Prince George’s counties) consist of six members (three regular members and three alternative members). 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 80% of their cases in calendar 2010, as shown in **Exhibit 1**. Due to carry-over appeals hearings from the previous year, the clearance rate for PTAAB hearings exceeded 100% beginning in calendar 2011.

Exhibit 1
Property Tax Assessment Appeals Board
Timeliness and Efficiency Measures
Calendar 2010-2014

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Appeals Filed	15,231	13,684	12,670	12,500	11,500
Appeals Heard	12,231	14,414	13,446	13,500	13,500
Clearance Rate	80%	105%	106%	108%	117%
Number of Appeals	7,242	7,852	7,093	6,093	4,000
Pending at Year-end					

Source: Property Tax Assessment Appeals Boards

State Expenditures: General fund expenditures increase by \$67,500 in fiscal 2015. This estimate reflects SDAT's cost of hiring one contractual office clerk and one contractual assessor to carry out the requirements of the bill, including an evaluation of property tax assessment procedures and the assessment appeals process. It includes salaries, fringe benefits, one-time start-up costs, operating expenses, as well as \$15,500 for expert witnesses from the International Association of Assessing Officers, for the six-month reporting period mandated by the bill. Expense reimbursements for task force members are assumed to be minimal and absorbable with existing resources.

Additional Information

Prior Introductions: HB 888 of 2013 received a hearing in the House Ways and Means Committee, but no further action was taken. HB 881 of 2012 received a hearing in the House Ways and Means Committee, but no further action was taken. SB 498 of 2011 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, HB 1280, received a hearing in the House Ways and Means Committee, but no further action was taken. 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: HB 674 (Delegate Glass - Ways and Means) is identified as a cross file, however the bills are not identical.

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

Fiscal Note History: First Reader - February 18, 2014
mc/hlb

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