

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 1027

(Senator Guzzone)

Budget and Taxation

Ways and Means

Property Tax - Appeals - Definition of "Taxpayer"

This emergency bill defines a taxpayer for purposes of a property tax appeal to mean a person who has an ownership interest or leasehold interest in a property that is subject to an appeal. The bill must be construed to apply retroactively and applied to and interpreted to affect any petition for review filed after December 1, 2022, of an assessment of property. Property taxes collected as a result of a petition for review filed by anyone other than a taxpayer, as defined by the bill, must be refunded.

Fiscal Summary

State Effect: Annuity Bond Fund revenues decrease by \$41,200 in FY 2024 and by \$61,700 in FY 2025. Expenditures are not affected.

Local Effect: Montgomery County property tax revenues decrease by \$246,300 in FY 2024 and by \$369,400 in FY 2025. Town of Kensington property tax revenues decrease by \$48,200 in FY 2024 and by \$72,300 in FY 2025. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: The Maryland Tax Court indicates that under current law any taxpayer may bring a petition relating to a property tax appeal before the court. The taxpayer does not need to hold a legal interest in the property in order to file a property tax appeal. This long-held view, which is based on *Samet v. Supervisor of Assessments*, enables any taxpayer to file an appeal if they believe that someone's property is not being assessed adequately and thereby not paying a fair share of property taxes. Under the bill, only the

taxpayer with an ownership or leasehold interest in the property can file a property tax appeal.

Property Tax Assessments and Appeals

Each year, the State Department of Assessments and Taxation (SDAT) is required to value one-third of all real property based on an inspection prior to the date of finality. Real property is valued and assessed once every three years. Prior to June 1, 2018, statute required that the assessments be based on a physical inspection; however, Chapter 651 of 2018 repealed the requirement that the department value all real property based on an exterior physical inspection of the real property. Instead, the department must value real property based on a review of each property in each three-year cycle. The review by the department must include a physical inspection of a property if (1) the value of improvements to the property is being initially established; (2) the value of substantially completed improvements is being established; (3) the property is the subject of a recent sale, and the inspection is deemed necessary by the department for purposes of market analysis; (4) the property owner requests a physical inspection as part of an active appeal; (5) the department is notified by a county finance officer that a substantially completed improvement has been made that adds at least \$1.0 million in value to the property; or (6) the department determines that a physical inspection is appropriate.

In any year of a three-year cycle, real property must be revalued if any of the following factors causes a change in the value of the real property: (1) the zoning classification is changed at the initiative of the owner or anyone having an interest in the property; (2) a change in use or character occurs; (3) substantially completed improvements are made that add at least \$100,000 in value to the property; (4) an error in calculation or measurement of the real property caused the value to be erroneous; (5) a residential use assessment is terminated; or (6) a subdivision occurs.

Any increase in full cash value (market value) is phased in equally over the next three years. All property is assessed at 100% of full cash value.

The assessment appeal process typically begins with an appeal of the notice of assessment. These notices are mailed in late December, and an appeal may be filed with the supervisor of assessments within 45 days of the date of the notice; for properties that transfer after January 1 but before the beginning of the taxable year, the new owner has 60 days from the date of transfer to file an appeal regarding the property value or classification. Following that appeal, the property owner receives a final notice. If the taxpayer is not satisfied with the outcome, the next appeal must be made to the appropriate appeals board within 30 days from the date of the final notice. A further appeal may be taken to the Maryland Tax Court within 30 days of receiving notice from the board. Any further appeals

are made through the judicial system, including the circuit court, the Appellate Court of Maryland, and the Supreme Court of Maryland.

State and Local Fiscal Effect: SDAT advises that the retroactive provision of the bill will affect two properties in Montgomery County by reversing an appeal filed by a taxpayer who did not have an ownership or leasehold interest in the property. Due to the taxpayer's appeal, the property owner's assessment was subsequently increased by SDAT resulting in a much higher State and local property tax bill. This legislation would negate the higher property tax assessment and require that the State and local governments refund the property owner for the additional taxes resulting from the higher property assessment. As a result, State and local property tax revenues will decrease by \$335,641 in fiscal 2024 and by \$503,462 in fiscal 2025 as shown below:

- State property tax revenues will decrease by \$41,165 in fiscal 2024 and by \$61,747 in fiscal 2025.
- Montgomery County property tax revenues will decrease by \$246,254 in fiscal 2024 and by \$369,382 in fiscal 2025.
- Town of Kensington property tax revenues will decrease by \$48,222 in fiscal 2024 and by \$72,333 in fiscal 2025.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 1488 (Delegate Atterbear) - Ways and Means.

Information Source(s): Anne Arundel, Baltimore, Charles, Garrett, and Howard counties; Maryland Municipal League; Office of the Attorney General; Maryland Tax Court; State Department of Assessments and Taxation; Department of Legislative Services

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