

C85E00
Maryland Tax Court

Operating Budget Data

(\$ in Thousands)

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$583	\$574	\$606	\$32	5.7%
Contingent & Back of Bill Reductions	0	0	-1	-1	
Adjusted General Fund	\$583	\$574	\$605	\$32	5.5%
Special Fund	0	4	0	-4	-100.0%
Adjusted Special Fund	\$0	\$4	\$0	-\$4	-100.0%
Adjusted Grand Total	\$583	\$578	\$605	\$27	4.7%

- The Maryland Tax Court's (MTC) budget increases \$27,210, or 4.7%.
- \$4,353 of the general fund increase is due to the replacement of fiscal 2013 Budget Restoration Funds, created by Chapter 1 of the First Special Session of 2012, with general funds.

Personnel Data

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>
Regular Positions	9.00	8.00	8.00	0.00
Contractual FTEs	<u>0.40</u>	<u>0.40</u>	<u>0.40</u>	<u>0.00</u>
Total Personnel	9.40	8.40	8.40	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/12	n/a	n/a

Note: Numbers may not sum to total due to rounding.

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- The fiscal 2014 allowance includes no new regular positions or contractual full-time equivalents.
- As of December 31, 2012, MTC had no vacant positions.

Analysis in Brief

Major Trends

Timeliness of Appeals Processing Has Improved: MTC has improved in the median number of days it takes to close an appeal, although more cases are taking longer than the eight month standard.

MTC Continues to Reduce Burden on Circuit Courts: The number of cases appealed from MTC to the circuit courts has decreased over the past two fiscal years.

Recommended Actions

1. Concur with Governor's allowance.

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Maryland Tax Court

Operating Budget Analysis

Program Description

The Maryland Tax Court (MTC) provides the final administrative hearing for appeals from taxing authorities in Maryland. Decisions of the Comptroller, Property Tax Assessment Appeals Boards (PTAAB), and local collectors are among those appealed to the court. Decisions of the Tax Court may be appealed to the circuit court. MTC is composed of five part-time judges appointed for six-year terms by the Governor. MTC's goal is to provide the taxpayer and the taxing authority with efficient and fair hearings regarding any tax issue.

Performance Analysis: Managing for Results

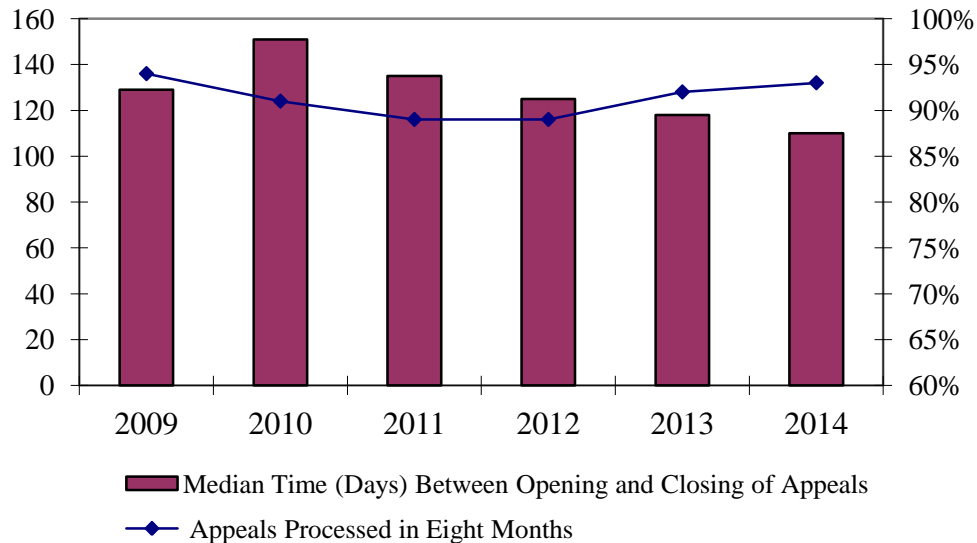
1. Timeliness of Appeals Processing Has Improved

MTC's Managing for Results performance measures indicate continued performance improvement. As shown in **Exhibit 1**, the median number of days between the opening and closing of appeals cases has dropped to 125 days in fiscal 2012 from a high of 151 days in fiscal 2010. MTC attributes this drop to its emphasis on resolving real property appeals in a more efficient manner by enacting procedural changes to reduce time lags. However, MTC notes that due to the concentration on real property appeals processing, the efficiency in processing other areas of tax appeals, such as income and sales tax appeals, has been affected. This partially explains why MTC only closed 89% of cases within eight months during fiscal 2011 and 2012, which is just slightly below the goal of 90%. MTC attributes this decline to both the increase in appeals over the last several years as well as the vacancy of the deputy clerk position since 2009, which has since been abolished.

2. MTC Continues to Reduce Burden on Circuit Courts

Since the goal of the appeals process is to reduce the burden on the courts, the effectiveness of the appeals process may be measured by the number of cases that are resolved at each level of appeals or that continue to the next level. Property valuations may first be appealed to the State Department of Assessments and Taxation (SDAT). The homeowner may subsequently appeal the SDAT decision to PTAAB, MTC, and finally the circuit courts. **Exhibit 2** shows the number of appeals over a six-year period for primary, secondary, and tertiary appeals, as well as cases that reach the circuit court. Appeals of property valuations across all levels appear to be declining as the housing market and property values have begun to come back across the State following the rapid valuation declines during the recession. There is still a substantial number of appeals making it to the MTC level, but as Exhibit 2 demonstrates, the appeals process as a whole continues to reduce the burden on the courts by resolving the majority of cases before they reach the circuit courts.

Exhibit 1
Percentage of Cases Closed and the Median Number of Days to Close Appeals
Fiscal 2009-2014



Source: Maryland Tax Court

Exhibit 2
Appeals of Maryland Property Valuations
Fiscal 2009-2014

<u>Level of Appeal</u>	<u>Agency</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Est. 2013</u>	<u>Est. 2014</u>
Primary	Department of Assessments and Taxation	58,348	56,405	50,613	45,151	43,599	42,149
Secondary	Property Tax Assessment Appeals Boards*	19,520	15,231	13,684	14,000	13,000	14,000
Tertiary	Maryland Tax Court	1,258	1,510	1,458	1,515	1,400	1,200
Judicial Relief	Circuit Court	31	29	21	22	20	20

*PTAAB numbers are calculated on a calendar year basis. Hence, 2012 is only an estimated number.

Source: Department of Assessments and Taxation, Property Tax Assessment Appeals Boards, and Maryland Tax Court

Proposed Budget

As shown in **Exhibit 3**, the fiscal 2014 allowance increases \$27,210, or 4.7%, when adjusted for contingent and across-the-board reductions. This is primarily due to personnel expenditures which increase \$10,662 for employee retirement contributions, \$7,396 for employee and retirement health care costs, and \$4,504 for the annualization of the 2013 cost-of-living adjustment. The other major increase is \$5,246 for new courtroom recording software to replace the old system.

Contribution rates for the regular employees, teachers, State Police, and Law Enforcement Officers pension plans increase in fiscal 2014. The rate increases are attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings achieved in the 2011 pension reform.

Exhibit 3
Proposed Budget
Maryland Tax Court
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Total
2013 Working Appropriation	\$574	\$4	\$578
2014 Allowance	606	0	606
Amount Change	32	-4	28
Percent Change	5.7%	-100.0%	4.9%
Contingent Reductions	-\$1	\$0	-\$1
Adjusted Change	32	-4	27
Adjusted Percent Change	5.5%	-100.0%	4.7%
 Where It Goes:			
Personnel Expenses			
Annualized cost-of-living-adjustment.....			\$4
Employee retirement.....			11
Employee and retiree health insurance, net of across-the-board reductions.....			7
Other Changes			
Equipment replacement – new courtroom recording software			5
Total			\$27

Note: Numbers may not sum to total due to rounding.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland Tax Court (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2012					
Legislative Appropriation	\$633	\$0	\$0	\$0	\$633
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	7	0	0	0	7
Reversions and Cancellations	-58	0	0	0	-58
Actual Expenditures	\$583	\$0	\$0	\$0	\$583
Fiscal 2013					
Legislative Appropriation	\$574	\$0	\$0	\$0	\$574
Budget Amendments	0	4	0	0	4
Working Appropriation	\$574	\$4	\$0	\$0	\$578

Note: Numbers may not sum to total due to rounding.

Fiscal 2012

MTC completed fiscal 2012 \$50,399 below the legislative appropriation. This is mainly due to \$57,530 in reverted general funds due to a vacancy in a position which has since been abolished. The fiscal 2012 budget was also increased by budget amendment \$6,456 for the \$750 one-time employee bonus and \$675 for telecommunication expenditures.

Fiscal 2013

To date, \$4,353 has been added to the MTC legislative appropriation in special funds. This is for the cost-of-living adjustment related to the Budget Restoration Fund.

**Object/Fund Difference Report
Maryland Tax Court**

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	9.00	8.00	8.00	0.00	0.0%
02 Contractual	0.40	0.40	0.40	0.00	0.0%
Total Positions	9.40	8.40	8.40	0.00	0.0%
Objects					
01 Salaries and Wages	\$ 525,987	\$ 527,432	\$ 550,241	\$ 22,809	4.3%
02 Technical and Spec. Fees	4,666	7,844	7,844	0	0.0%
03 Communication	9,456	7,554	6,752	-802	-10.6%
04 Travel	1,584	2,000	2,000	0	0.0%
08 Contractual Services	17,368	23,516	22,481	-1,035	-4.4%
09 Supplies and Materials	9,537	7,360	8,500	1,140	15.5%
10 Equipment – Replacement	12,614	1,200	7,096	5,896	491.3%
13 Fixed Charges	1,466	1,370	1,440	70	5.1%
Total Objects	\$ 582,678	\$ 578,276	\$ 606,354	\$ 28,078	4.9%
Funds					
01 General Fund	\$ 582,678	\$ 573,923	\$ 606,354	\$ 32,431	5.7%
03 Special Fund	0	4,353	0	-4,353	-100.0%
Total Funds	\$ 582,678	\$ 578,276	\$ 606,354	\$ 28,078	4.9%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.