

January 17, 2022

Testimony of Lisa Scott in Support of House Bill 069: State Department of Assessments and Taxation – Real Property Assessments and Appeals

Chairperson and Members of the Ways and Means Committee:

After completing two Baltimore City property valuation cycles with The State Department of Assessments and Taxation (SDAT), my experience of the assessment methodology and process is that it is opaque, unfair, out of keeping with the most basic IRS guidelines, and favors the wealthy. Furthermore, the appeal process – being restricted only to arguments based on market sales – perpetuates the aforementioned problems and leaves property owners with no ground or recourse for correction when the methodology itself is incorrect.

Below is a more detailed explanation of these issues:

ASSESSMENT PROCESS AND METHODOLOGY

1. The assessment process is a “black box.”

SDAT provides property owners with no information on *how* market value is determined. Moreover, property owners are offered no insights into all the factors that affect the assessment (e.g., property condition, improvements, depreciation, etc.) and *how* those factors are considered and incorporated into the market value calculation.

2. SDAT claims the assessment process is “uniform.” It is not.

The letter accompanying my Assessment Notice claims that estimated market values are “developed using recent market information from your area and has been applied uniformly to all comparable properties.” Yet, there are egregious discrepancies in how properties are valued based on my research into properties throughout Bolton Hill, suggesting this may be an issue for Baltimore city writ large.

As one example, in the 2019 cycle, my property was valued at \$107,000 to \$147,800 higher than the other center-unit properties on my block (all built to the same specifications, see Exhibits A and B), despite some properties having undergone recent and extensive renovations according to the permit records accessible through baltimorehousing.org. **A non-uniform depreciation calculation appears to be the issue in my case.**

3. SDAT does not adhere to basic IRS guidelines for assessing properties.

Issues 1 and 2 demonstrate a lack of adherence to federal guidelines. Per the IRS's Real Property Valuation Guidelines, section [4.48.6.2.4 \(09-22-2020\)](#), three approaches should be used to determine assessed values: Market or Sales Comparison Approach, Cost Approach, and Income Approach. SDAT considers only the Market or Sales Comparison Approach. Moreover, clauses 6 and 8 within that section state:

“6. The reconciliation and final opinion of value should consider the appropriateness of each approach to the value of the specific property, the quantity, veracity and reliability of the data supporting each approach, and should logically lead the reader to the final opinion of value. If one or more approaches are not utilized or ignored, the appraiser should explain the reasons for omitting any approaches. The appraiser should provide reasoning for significant differences between approach conclusions and recognize the most reliable approach or approaches to conclude value.”

“8. The appraiser should clearly explain and provide reasoning for the value conclusion.”

I see no evidence that SDAT adheres to the guidelines within section [4.48.6.2.4 \(09-22-2020\)](#).

4. The assessment process favors the wealthy.

Individuals or companies who can secure the funds to purchase and renovate properties do not see their property values increased accordingly. Since wealth affords people the ability to pay cash for renovations or obtain construction loans, the assessment process favors the wealthy by providing them with significant tax breaks not afforded to others. That is unjust, inequitable, and arguably discriminatory.

APPEAL PROCESS

1. Only market sales are considered in the appeal process.

At no point during my Level 1 or Level 2 appeal was it disclosed that market sales is the ONLY argument that will be heard in the appeal process. It took appearing before a judge in MD tax court during the Level 3 appeal to understand this.

2. SDAT uses the high sales to justify a property's market value in a level 3 appeal; comparability does not appear to be a factor.

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During the Level 3 appeal for my center unit property, two end units were presented by SDAT as evidence of my property being fairly assessed. (This contradicts a statement made by the Assessor during my Level 1 appeal that end units are not considered comparable to center units.) Based on a permit record search at baltimorehousing.org, it is clear that recent, extensive improvements were made to those properties, which is not the case for my property. No explanation or evidence was provided by SDAT as to how these properties were deemed comparable, aside from square footage.

3. Legislation is the only recourse available to property owners who have a dispute with the assessment methodology itself.

According to the Level 3 appeal judge, the state of Maryland (unlike some states) will not consider arguments about the assessment methodology. According to the judge, issues with the assessment process can only be addressed through the legislature. This absolves SDAT of any accountability for errors and discrepancies in the process and perpetuates disparities in the property taxes paid by property owners. In my case, it appears that the depreciation calculation for my property is incorrect, but I have zero means of addressing or appealing that with SDAT.

In looking at the 2019 assessment process (as well as the 2014 one), it cannot be that both my property *and* the other highly comparable properties I submitted as evidence were correctly taxed. This is a contradiction in reasoning. I believe this supports my claim that the assessment methodology/process is fundamentally flawed and in need of correction. It demonstrates that the criteria for appeal must be expanded to allow for assessed values to be argued on grounds outside of a market sales approach. This would promote fairness and equity insofar as it would enable property owners to have sufficient recourse to address errors and inconsistencies within the assessment process itself. For this reason, I urge you to vote in favor of SB 782.

Respectfully,


Lisa Scott

P.S. The last time this bill was introduced in 2021, a disingenuous approach to preparing the fiscal note was taken. There was an assumption made that because prior bill referenced the IRS guidelines, it meant a physical inspection of properties was required, which would have resulted in, general fund expenditures increasing by \$47.8 million in FY 2022 and by \$61.1million in FY 2026, and special fund revenues and expenditures increasing by \$35.8 million in FY 2022 and by \$45.6 million in FY 2026. To be clear, a physical inspection is **not** being requested as part of this bill.

Exhibit A

GoogleMaps Photo of South Side of West Lanvale St between John St and Brevard Alley



Exhibit B																	
SDAT Data for Center Unit Properties on South Side of West Lanvale St between John St and Brevard Alley																	
Note: Data obtain from SDAT Real Property Database																	
#	Address	Owner	Property Type	Stories	Primary Structure Built	Quality	Living Area	Finished Basement Area SqFt	Baths Full	Baths Half	Garage	Sale Date	Depreciation %	Depreciation Amount	Sale Price	New Assessed Value	
01	135 W LANVALE ST	COSTA JOSEPH	CENTER UNIT	3	1850	6	2,736	496	2	1		1/18/96	50.0%	\$258,813	\$140,000	\$353,800	
02	137 W LANVALE ST	HOVANECSUS	CENTER UNIT	3	1900	6	2,736		2	2		3/12/15	46.5%	\$231,233	\$350,000	\$366,000	
03	139 W LANVALE ST	KAUFFMAN KA	CENTER UNIT	3	1900	6	2,736		1			8/29/95	50.0%	\$232,060	\$180,000	\$332,000	
04	141 W LANVALE ST *	MCCOY/ABRAH	CENTER UNIT	3	1900	6	2,736		3			5/15/06	50.0%	-\$256,332	\$660,000	\$356,300	
05	143 W LANVALE ST	SCOTT LISA, SC	CENTER UNIT	3	1900	6	2,736		2			12/4/12	20.5%	-\$97,958	\$483,000	\$479,800	
06	145 W LANVALE ST	JOHNSON JOH	CENTER UNIT	3	1900	6	2,736		3	1		8/4/17	50.0%	-\$272,801	\$470,000	\$372,800	
07	147 W LANVALE ST	SULTAN PETER	CENTER UNIT	3	1850	6	2,736		2			7/10/02	50.0%	\$242,700	\$305,000	\$342,700	
*This is a three-unit property																	
															Max Difference Between 143 and Other Properties		\$147,800
															Min Difference Between 143 and Other Properties		\$107,000