

Rich Rarey's **UNFAVORABLE** testimony on SB1027

March 26, 2024

Dear Chair Atterbeary, Vice Chair Wilkins and distinguished members of the Ways and Means committee,

I ask for your **unfavorable** report on Senate Bill 1027 entitled *Property Tax - Appeals - Definition of "Taxpayer"*.

SB1027 presents significant challenges to the fairness and integrity of property tax assessments in our state.

The current system allows for third-party appeals to the Department of Assessments and Taxation (SDAT), offering an essential mechanism to address under-assessed commercial properties. This process, while sparingly used, plays a crucial role in ensuring assessment accuracy and promoting taxation fairness. Importantly, there is no evidence of abuse within the third-party appeals process.

In the case described in the Fiscal and Policy Analysis, SB1027 seeks to circumvent the existing Property Tax Assessment Appeals Board (PTAAB) for a specific property in Kensington through retroactive measures. Despite the property's sale price of \$76.25M in August 2022, its initial assessment stood at \$21M, almost certainly because of an error by SDAT. Following a third-party appeal to SDAT in December 2022, the assessment was appropriately adjusted to reflect the recent sale price.

It's crucial to note that the Kensington property owner had ample opportunity to contest the third-party appeal before SDAT rendered its decision. It's also important to note that the property owner appealed the valuation to the PTAAB, then asked for a postponement of the appeal hearing at the last moment. (It is my understanding that the owner continues to have the right to an appeal hearing in front of the PTAAB, the Maryland Tax Court, the Circuit Court and appellate courts.)

Even if you believe that there is merit to the arguments against future third-party appeals, there is no good reason to retroactively apply a prohibition against third-party appeals. The retroactive prohibition against third-party appeals would benefit only the owners of 3700 Plyers Mills Road.

If, indeed, the assessed value of that property is excessive, the owners will receive a fair hearing in front of the PTAAB. In other words, let the PTAAB process proceed instead of passing legislation that usurps their authority.

Moreover, as outlined in the Fiscal and Policy Note, the enactment of SB1027 would inhibit the ability of local governments to challenge unjustifiably low assessments in the future. This would have far-reaching implications for the county's (and the state's) fiscal health and the fairness of the tax system. Considering these concerns, I urge you to carefully consider the implications of SB1027 and issue an unfavorable report on this legislation. Preserving the integrity of our property tax assessment system is paramount to ensuring equitable taxation.

Thank you for considering this testimony.

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