

**C85E00**  
**Maryland Tax Court**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 10</u> <u>Actual</u>	<u>FY 11</u> <u>Working</u>	<u>FY 12</u> <u>Allowance</u>	<u>FY 11-12</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$574	\$627	\$643	\$16	2.6%
Contingent & Back of Bill Reductions	0	0	-11	-11	
<b>Adjusted General Fund</b>	<b>\$574</b>	<b>\$627</b>	<b>\$632</b>	<b>\$5</b>	<b>0.8%</b>
<b>Adjusted Grand Total</b>	<b>\$574</b>	<b>\$627</b>	<b>\$632</b>	<b>\$5</b>	<b>0.8%</b>

- When adjusted for contingent and across-the-board reductions, the Maryland Tax Court's (MTC) budget increases \$5,031, or 0.8%.
- Increases for personnel expenditures are attributed to a lower turnover rate but offset by health insurance and retirement savings.

***Personnel Data***

	<u>FY 10</u> <u>Actual</u>	<u>FY 11</u> <u>Working</u>	<u>FY 12</u> <u>Allowance</u>	<u>FY 11-12</u> <u>Change</u>
Regular Positions	9.00	9.00	9.00	0.00
Contractual FTEs	<u>0.40</u>	<u>0.40</u>	<u>0.40</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>9.40</b>	<b>9.40</b>	<b>9.40</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/10	1.00	11.11%

- The fiscal 2012 allowance includes no new regular positions or contractual full-time equivalents.
- As of December 31, 2010, MTC had 1 vacant position.

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

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## ***Analysis in Brief***

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### **Major Trends**

***Tax Court Continues to Meet Case Clearance Goals:*** The median number of days between the opening and closing of appeals cases increased by 22 days in fiscal 2010. Nevertheless, MTC closed 90% of cases within eight months during fiscal 2010, meeting its goal of 90%.

***Appeals Process Continues to Reduce Burden on the Courts:*** Dramatic increases in appeals have had a direct impact on the volume of cases filed with the MTC. Regardless, the appeals process reduces the burden on the courts by resolving the majority of cases before they reach the final appeals level.

### **Recommended Actions**

1. Concur with Governor's allowance.

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***Operating Budget Analysis***

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**Program Description**

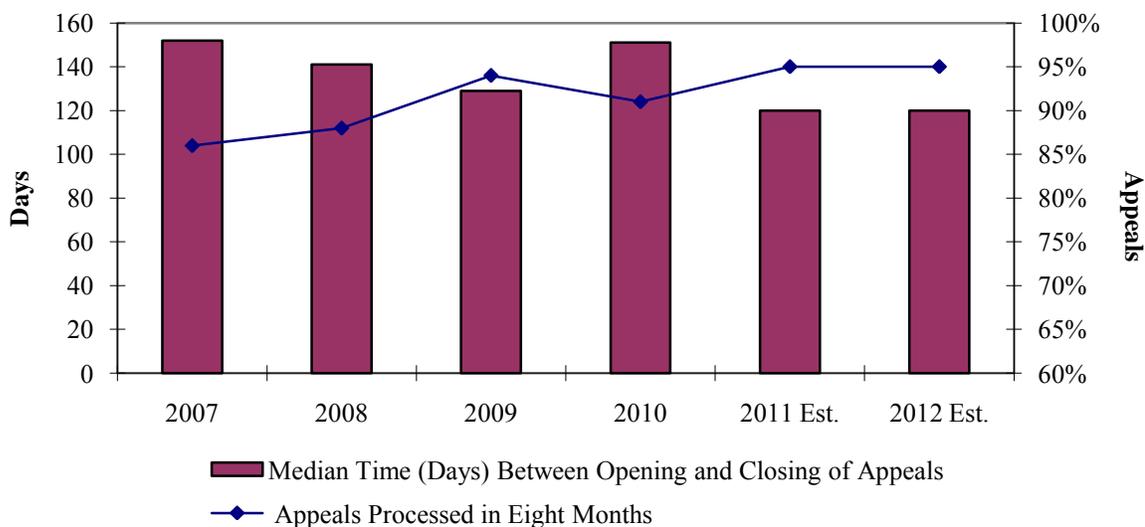
The Maryland Tax Court (MTC) provides the final administrative hearing for appeals from taxing authorities in Maryland. Decisions of the Comptroller, Property Tax Assessment Appeals Boards (PTAAB), and local collectors are among those appealed to the court. Decisions of the Tax Court may be appealed 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**

Overall, MTC's Managing for Results performance measures indicate continued success within its Administration and Appeals Division. As shown in **Exhibit 1**, the median number of days between the opening and closing of appeals cases increased by 22 days in fiscal 2010. Nevertheless, MTC closed 90% of cases within eight months during fiscal 2010, meeting its goal. MTC attributes this success to several factors, including prompt scheduling, reducing time between initial letter and Petition of Appeal filings, and increased scrutiny of postponement requests.

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**Exhibit 1**  
**Percentage of Cases Closed and the**  
**Median Number of Days to Close Appeals**  
**Fiscal 2007-2012**



Source: Maryland Tax Court

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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. The numbers illustrate that the decline in the housing market and property values has resulted in dramatic increases in appeals at all levels. Increases in appeals at SDAT and PTAAB levels during fiscal 2008, 2009, and 2010 have had a direct impact on the volume of cases filed with MTC. Regardless of the increases, Exhibit 2 demonstrates that the appeals process reduces burden on the courts by resolving the majority of cases before they reach the final appeals level.

**Exhibit 2**  
**Appeals of Maryland Property Valuations**  
**Calendar 2006-2011**

<u>Level of Appeal</u>	<u>Agency</u>	<u>Actual 2006</u>	<u>Actual 2007</u>	<u>Actual 2008</u>	<u>Actual 2009</u>	<u>Actual 2010</u>	<u>Est. 2011</u>
Primary	Department of Assessments and Taxation	33,542	33,912	55,184	58,348	56,405	42,000
Secondary	Property Tax Assessment Appeals Boards	8,788	8,963	14,062	19,520	15,231	10,000
Tertiary	Maryland Tax Court	583	675	721	1,258	1,208	1,200
Judicial Relief	Circuit Court <sup>1</sup>	21	30	22	31	29	30

<sup>1</sup> Number of cases appealed to the circuit court is based on fiscal years rather than calendar years.

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

**Proposed Budget**

As illustrated in **Exhibit 3**, the fiscal 2012 allowance increases \$5,031, or 0.8%, when adjusted for contingent and across-the-board reductions. This is primarily due to a \$20,323 increase to adjust the turnover rate to 0.0%. However, this is offset by \$17,347 in personnel-related savings, including \$8,112 for reclassifications, \$6,592 for health insurance, \$1,413 for employee retirement, and \$1,185 for Social Security contributions. Other changes include a \$1,300 increase for library supplies and \$1,200 for courtroom equipment.

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

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Total</b>
2011 Working Appropriation	\$627	\$627
2012 Allowance	<u>643</u>	<u>643</u>
Amount Change	\$16	\$16
Percent Change	2.6%	2.6%
 Contingent Reductions	 -\$11	 -\$11
Adjusted Change	\$5	\$5
Adjusted Percent Change	0.8%	0.8%

**Where It Goes:**

**Personnel Expenses**

Turnover.....	\$20
Reclassifications, restoration of furloughs.....	-8
Health insurance.....	-7
Employee retirement.....	-1
Social security.....	-1

**Other Changes**

Library supplies.....	1
Equipment.....	1

**Total** **\$5**

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

## **Impact of Cost Containment**

The fiscal 2012 budget reflects several across-the-board actions. In fiscal 2012, MTC's share of the reduction is \$2,211 in general funds for changes in employee health insurance. Reductions contingent upon statutory changes include \$3,662 in general funds for retiree prescription drug benefits and \$5,202 in general funds for retirement benefits. To the extent that MTC has positions abolished under the Voluntary Separation Program, additional reductions will be implemented by the Administration.

***Recommended Actions***

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1. Concur with Governor's allowance.

## *Current and Prior Year Budgets*

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### 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>
<b>Fiscal 2010</b>					
Legislative Appropriation	\$636	\$0	\$0	\$0	\$636
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Cost Containment	-13	0	0	0	-13
Reversions and Cancellations	-50	0	0	0	-50
<b>Actual Expenditures</b>	<b>\$574</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$574</b>
<b>Fiscal 2011</b>					
Legislative Appropriation	\$627	\$0	\$0	\$0	\$627
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$627</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$627</b>

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

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**Fiscal 2010**

MTC completed fiscal 2010 \$62,548 below its legislative appropriation. \$12,637 in general funds was reduced by the Board of Public Works for cost containment purposes, and the agency reverted another \$49,911 at the end of the year.

## ***Audit Findings***

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Audit Period for Last Audit:	February 1, 2007 – February 2, 2010
Issue Date:	April 2010
Number of Findings:	1
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	

**Finding 1:** MTC did not always hear and determine residential property tax assessment appeals within 90 days of receipt of the appeals, as required by State law.

\*Bold denotes item repeated in full or part from preceding audit report.

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

<u>Object/Fund</u>	<u>FY 10 Actual</u>	<u>FY 11 Working Appropriation</u>	<u>FY 12 Allowance</u>	<u>FY 11 - FY 12 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	9.00	9.00	9.00	0.00	0%
02 Contractual	0.40	0.40	0.40	0.00	0%
<b>Total Positions</b>	<b>9.40</b>	<b>9.40</b>	<b>9.40</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 538,489	\$ 582,627	\$ 596,587	\$ 13,960	2.4%
02 Technical and Spec. Fees	377	7,844	7,844	0	0%
03 Communication	9,070	9,799	9,428	-371	-3.8%
04 Travel	1,963	2,700	2,000	-700	-25.9%
08 Contractual Services	15,788	16,323	17,175	852	5.2%
09 Supplies and Materials	6,603	5,860	7,160	1,300	22.2%
10 Equipment – Replacement	0	0	1,200	1,200	N/A
13 Fixed Charges	1,451	1,532	1,397	-135	-8.8%
<b>Total Objects</b>	<b>\$ 573,741</b>	<b>\$ 626,685</b>	<b>\$ 642,791</b>	<b>\$ 16,106</b>	<b>2.6%</b>
<b>Funds</b>					
01 General Fund	\$ 573,741	\$ 626,685	\$ 642,791	\$ 16,106	2.6%
<b>Total Funds</b>	<b>\$ 573,741</b>	<b>\$ 626,685</b>	<b>\$ 642,791</b>	<b>\$ 16,106</b>	<b>2.6%</b>

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.