

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 93 (Chairman, Budget and Taxation Committee)
(Departmental - Assessments and Taxation)

Budget and Taxation

Referred to Ways and Means

Property Tax - Semiannual Payment

This enrolled emergency departmental bill clarifies procedures for allowing taxpayers the option of a semiannual payment schedule for property taxes.

Fiscal Summary

State Effect: None. This bill is technical in nature.

Local Effect: Local revenues could decline by \$1.9 million in FY 1999. Expenditures would not be affected as costs associated with the charge to the optional semiannual payment schedule were provided for in the FY 1996 budget.

Small Business Effect: The Department of Assessments and Taxation has determined that this bill has a minimal impact on small business (attached). Fiscal Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Fiscal Analysis

Bill Summary: Among the changes and clarifications of this bill are the following:

- if a buyer opts for a semiannual payment schedule, only payments which are due must be paid prior to the transfer of the property;
- “owner-occupied residential property” is defined as the principal residence of a homeowner;
- local governments must notify property owners about the semiannual payment option annually through newspaper advertisements or written notification sent to all eligible property owners;

- escrow account services shall pay the property tax on a semiannual basis upon written direction from the taxpayer;
- the service charge for semiannual payments applies to all property taxes (including State and municipal) collected by counties;
- the service charge may not exceed the lesser of actual expenses incurred in the previous fiscal year per semiannual tax account or 100% of lost interest; and
- semiannual payment collection systems are subject to the approval of the Department of Assessments and Taxation, or the system must use two coupons which may be submitted with the semiannual payments or with one annual payment.

The changes to the service charge are effective July 1, 1998.

Local Revenues: The restrictions on the service charge will result in a loss of revenue for the counties and Baltimore City. Assuming that half of all property owners will choose semiannual payments, lost interest could amount to \$7.4 million. Under current law, the allowable service charge is 125% of this amount, or \$9.25 million. Beginning in fiscal 1999, the service charge will be the lesser of lost interest or actual costs incurred, so local governments will lose at least \$1.85 million.

Information Source(s): Department of Assessments and Taxation; Carroll, Harford, Queen Anne's, and St. Mary's counties; Indian Head and Rising Sun; Department of Fiscal Services

Fiscal Note History: First Reader - January 18, 1996
 ncs Revised - Senate Third Reader - March 15, 1996
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