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**By: Delegates C. Davis, Fulton, Marriott, Krysiak, Branch, and Harrison**

Introduced and read first time: January 30, 1997

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Property Tax - Mandatory Semiannual Payment**

3 FOR the purpose of altering from optional to mandatory the semiannual payment  
4 program for payment of property taxes on certain real property; altering the  
5 effective date of a certain provision of law that relates to certain service charges for  
6 semiannual property tax payments; making a technical change; and generally  
7 relating to a mandatory program for semiannual payment of property taxes for  
8 certain real property.

9 BY repealing and reenacting, with amendments,  
10 Article - Real Property  
11 Section 3-104(c)(5)  
12 Annotated Code of Maryland  
13 (1996 Replacement Volume and 1996 Supplement)

14 BY repealing and reenacting, with amendments,  
15 Article - Tax - Property  
16 Section 10-204.3 and 10-402(a)  
17 Annotated Code of Maryland  
18 (1994 Replacement Volume and 1996 Supplement)

19 BY repealing and reenacting, with amendments,  
20 Chapter 97 of the Acts of the General Assembly of 1996  
21 Section 3

22 BY repealing and reenacting, with amendments,  
23 Article - Tax - Property  
24 Section 10-204.3  
25 Annotated Code of Maryland  
26 (1994 Replacement Volume and 1996 Supplement)  
27 (As enacted by Chapter 97, Section 2 of the Acts of the General Assembly of 1996)

28 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
29 MARYLAND, That the Laws of Maryland read as follows:

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1           **Article - Real Property**

2 3-104.

3           (c) (5) [If a buyer elects at] AT the time of transfer OF REAL PROPERTY  
 4 SUBJECT TO a semiannual payment schedule for the payment of property taxes, ONLY  
 5 THOSE SEMIANNUAL PAYMENT INSTALLMENTS THAT ARE DUE for the current taxable  
 6 year under § 10-204.3 of the Tax - Property Article[, only those installments which are  
 7 due] must be paid prior to the transfer of the property.

8           **Article - Tax - Property**

9 10-204.3.

10           (a) In this section, "owner-occupied residential property" means the principal  
 11 residence of a homeowner as defined in § 9-105 of this article.

12           (b) Notwithstanding Subtitle 1 of this title:

13                   (1) the governing body of a county shall provide [an optional] A  
 14 semiannual payment schedule for State, county, and special taxing district property taxes  
 15 due on owner-occupied residential property; and

16                   (2) the governing body of a municipal corporation shall provide [ an  
 17 optional] A semiannual payment schedule for municipal corporation and special taxing  
 18 district property taxes due on owner-occupied residential property.

19           (c) A semiannual payment schedule under this section SHALL APPLY:

20                   (1) [may be elected] at the time of the transfer of property purchased on or  
 21 after July 1, [1995] 1997; and

22                   (2) [may be elected] on an annual basis [by] TO any current or future  
 23 owner of owner-occupied residential property, regardless of whether the property was  
 24 purchased before July 1, [1995] 1997.

25           (d) (1) [A] THE semiannual payment schedule [election] under subsection  
 26 (c)(1) of this section shall apply to:

27                   (i) the property tax due for the tax year following transfer of the  
 28 property; and

29                   (ii) the property tax due and not in arrears for the current tax year for  
 30 any transfer occurring between July 1 and January 1 of property that is currently subject  
 31 to a semiannual schedule of property tax payment.

32                   [(2) Once the property owner elects to pay property taxes according to a  
 33 semiannual payment schedule, that election shall remain effective until changed by the  
 34 property owner or the property is transferred.

35                   (3) (2) [An election of a semiannual payment schedule may not be  
 36 effective unless the] THE first installment [is] OF A SEMIANNUAL PAYMENT SHALL BE  
 37 paid on or before September 30.

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1           [(e) (1) A county or municipal corporation may adopt procedures to notify  
2 taxpayers of the availability of the semiannual property tax payment option.

3                   (2) (i) A county or municipal corporation shall notify property owners on  
4 an annual basis about the availability of the semiannual property tax payment option  
5 through newspaper advertisements or through written notification sent to all eligible  
6 property owners.

7                           (ii) The newspaper advertisements or written notice shall include:

8                                   1. information about the semiannual payment option eligibility  
9 requirements and specific instructions for electing semiannual property tax payment; and

10                                   2. a tear-out or other response form that can be used by  
11 taxpayers to request that their property taxes be paid on a semiannual basis to mortgage  
12 companies or other escrow account servicers or local governments.

13                           (iii) When providing notice through a newspaper, the newspaper  
14 advertisement shall be published at least two times during the month of March of each  
15 year.

16                           (iv) The newspaper advertisement or the written notification shall  
17 allow owners who pay property taxes through an escrow account servicer or mortgage  
18 company at least 60 days to elect a payment option.

19           (f) (E) A [property owner electing to pay real property taxes under a]  
20 semiannual payment schedule shall [pay] INCLUDE a service charge TO BE PAID with  
21 the second installment.

22           [(g)] (F) The service charge:

23                   (1) shall be:

24                           (i) adopted by the taxing authority that collects the property taxes as  
25 part of adoption of the property tax rate under §§ 6-301 through 6-303 of this article;

26                           (ii) applicable to all property tax being collected by the taxing  
27 authority on the semiannual payment schedule for itself and for any other taxing  
28 authority;

29                           (iii) expressed as a percent of the amount of tax due at the second  
30 installment and shown on the tax bill as a percent and actual dollar amount charged; and

31                           (iv) calculated in an amount:

32                                   1. reasonably equivalent to the anticipated lost interest income  
33 associated with the delay in payment of the second installment; and

34                                   2. covering administrative expenses associated with the  
35 semiannual payment not exceeding 25% of the charge for lost interest; and

36                   (2) may not be considered to be a property tax for the purposes of any  
37 provision of a local law or charter that limits the property tax rate or property tax  
38 revenues.

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1 [(h)] (G) (1) The property tax bill under a semiannual payment schedule:

2 (i) shall state:

3 1. the amount of the tax due if paid in full, including any  
4 applicable discounts for early payment;

5 2. the amount of the tax due if paid in semiannual installments,  
6 including any applicable discounts for early payment of the first installment;

7 3. the amount of service charge to be paid with the second  
8 installment; and

9 4. the date the tax payment is due; and

10 (ii) shall be subject to approval by the Department of Assessments and  
11 Taxation.

12 (2) The Department shall approve any local semiannual payment schedule  
13 collection that:

14 (i) provides efficient and cost-effective collection of taxes; and

15 (ii) provides two semiannual coupons, two semiannual billing forms, or  
16 a similar method that allows taxpayers [to elect, at the time they receive their tax bills,]  
17 to pay on [either] a semiannual [or annual] basis.

18 (3) Local semiannual payment schedule collection systems that are not  
19 approved by the Department shall utilize 2 semiannual payment coupons that may be  
20 submitted separately with the appropriate payment as semiannual payments[, or at the  
21 same time with a single annual payment].

22 [(i)] (H) A payment under a semiannual schedule is due:

23 (1) for the first installment:

24 (i) on July 1 of the tax year; and

25 (ii) may be paid without interest on or before September 30 of the tax  
26 year; and

27 (2) for the second installment:

28 (i) on January 1 of the tax year; and

29 (ii) except for the service charge, may be paid without interest on or  
30 before January 31 of the tax year.

31 [(j)] (I) If an escrow account is established for the payment of the property  
32 tax, the escrow account servicer shall pay [tax in annual payments unless the escrow  
33 account servicer has received written direction from the property owner or borrower to  
34 pay] property tax in semiannual installments.

35 [(2) If a taxpayer provides written direction to an escrow account servicer at  
36 least 60 days prior to the beginning of the tax year, property taxes shall be paid on a

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1 semiannual payment basis on behalf of that taxpayer by the escrow account servicer in the  
2 tax year that begins immediately following the year in which the written direction was  
3 received.

4 (3) Except for a semiannual payment schedule election made under  
5 subsection (c)(1) of this section, if a taxpayer provides written direction to an escrow  
6 account servicer less than 60 days prior to the beginning of the tax year, property taxes  
7 may be paid on a semiannual payment basis on behalf of that taxpayer by the escrow  
8 account servicer in the tax year that begins immediately following the year in which the  
9 written direction was received.]

10 10-402.

11 (a) (1) Except for tax sales as provided by Title 14, Subtitle 8 of this article, if  
12 real property ownership is transferred between the date of finality and semiannual date of  
13 finality, the transferee is liable for the property tax on real property for the taxable year  
14 that begins after the transfer.

15 (2) If real property ownership is transferred between July 1 and January 1,  
16 and the [transferee elects] PROPERTY IS SUBJECT TO a semiannual payment schedule  
17 of property tax for the current taxable year under § 10-204.3 of this title, the transferor is  
18 liable for any semiannual property tax installment that may be due for the real property  
19 in the current taxable year at the time of transfer, and is not liable for the second  
20 semiannual installment that is due after the date of transfer. The transferee is solely  
21 liable for any semiannual property tax installment for the current taxable year that is due  
22 after the date of transfer.

23 (3) This subsection does not preclude the transferor and the transferee of  
24 real property that is subject to this subsection from adjusting the property tax or service  
25 charges for any year between them.

26 **Chapter 97 of the Acts of 1996**

27 SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall  
28 take effect July 1, [1998] 1999.

29 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
30 read as follows:

31 **Article - Tax - Property**

32 10-204.3.

33 (a) In this section, "owner-occupied residential property" means the principal  
34 residence of a homeowner as defined in § 9-105 of this article.

35 (b) Notwithstanding Subtitle 1 of this title:

36 (1) the governing body of a county shall provide [an optional] A  
37 semiannual payment schedule for State, county, and special taxing district property taxes  
38 due on owner-occupied residential property; and

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1 (2) the governing body of a municipal corporation shall provide [ an  
2 optional] A semiannual payment schedule for municipal corporation and special taxing  
3 district property taxes due on owner-occupied residential property.

4 (c) A semiannual payment schedule under this section SHALL APPLY:

5 (1) [may be elected] at the time of the transfer of property purchased on or  
6 after July 1, [1995] 1997; and

7 (2) [may be elected] on an annual basis [by] TO any current or future  
8 owner of owner-occupied residential property, regardless of whether the property was  
9 purchased before July 1, [1995] 1997.

10 (d) (1) [A] THE semiannual payment schedule [election] under subsection  
11 (c)(1) of this section shall apply to:

12 (i) the property tax due for the tax year following transfer of the  
13 property; and

14 (ii) the property tax due and not in arrears for the current tax year for  
15 any transfer occurring between July 1 and January 1 of property that is currently subject  
16 to a semiannual schedule of property tax payment.

17 [(2) Once the property owner elects to pay property taxes according to a  
18 semiannual payment schedule, that election shall remain effective until changed by the  
19 property owner or the property is transferred.

20 (3) (2) [An election of a semiannual payment schedule may not be  
21 effective unless the] THE first installment [is] OF A SEMIANNUAL PAYMENT SHALL BE  
22 paid on or before September 30.

23 [(e) (1) A county or municipal corporation may adopt procedures to notify  
24 taxpayers of the availability of the semiannual property tax payment option.

25 (2) (i) A county or municipal corporation shall notify property owners on  
26 an annual basis about the availability of the semiannual property tax payment option  
27 through newspaper advertisements or through written notification sent to all eligible  
28 property owners.

29 (ii) The newspaper advertisements or written notice shall include:

30 1. information about the semiannual payment option eligibility  
31 requirements and specific instructions for electing semiannual property tax payment; and

32 2. a tear-out or other response form that can be used by  
33 taxpayers to request that their property taxes be paid on a semiannual basis to mortgage  
34 companies or other escrow account servicers or local governments.

35 (iii) When providing notice through a newspaper, the newspaper  
36 advertisement shall be published at least two times during the month of March of each  
37 year.

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1 (iv) The newspaper advertisement or the written notification shall  
 2 allow owners who pay property taxes through an escrow account servicer or mortgage  
 3 company at least 60 days to elect a payment option.

4 (f) (E) A [property owner electing to pay real property taxes under a ]  
 5 semiannual payment schedule shall [pay] INCLUDE a service charge TO BE PAID with  
 6 the second installment.

7 [(g)] (F) The service charge:

8 (1) shall be:

9 (i) adopted by the taxing authority that collects the property taxes  
 10 after obtaining the prior approval of the amount of the service charge from the  
 11 Department, as part of adoption of the property tax rate under §§ 6-301 through 6-303 of  
 12 this article;

13 (ii) applicable to all property tax being collected by the taxing  
 14 authority on the semiannual payment schedule for itself and for any other taxing  
 15 authority;

16 (iii) expressed as a percent of the amount of tax due at the second  
 17 installment and shown on the tax bill as a percent and actual dollar amount charged; and

18 (iv) calculated in an amount:

19 1. reasonably equivalent to the anticipated lost interest income  
 20 associated with the delay in payment of the second installment; and

21 2. covering administrative expenses associated with the  
 22 semiannual payment not exceeding the lesser of the actual expenses incurred in the  
 23 preceding fiscal year per semiannual tax account as approved by the State Department of  
 24 Assessments and Taxation or [100%] 10% of the charge for lost interest; and

25 (2) may not be considered to be a property tax for the purposes of any  
 26 provision of a local law or charter that limits the property tax rate or property tax  
 27 revenues.

28 [(h)] (G) The local taxing authority shall provide to the Department by May 1 of  
 29 each year, information that substantiates that the proposed service charge for the  
 30 anticipated lost interest is reasonably equivalent to the amount of interest that will be lost  
 31 as a result of the semiannual payment.

32 [(i)] (H) (1) The property tax bill under a semiannual payment schedule:

33 (i) shall state:

34 1. the amount of the tax due if paid in full, including any  
 35 applicable discounts for early payment;

36 2. the amount of the tax due if paid in semiannual installments,  
 37 including any applicable discounts for early payment of the first installment;

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1 3. the amount of service charge to be paid with the second  
2 installment; and

3 4. the date the tax payment is due; and

4 (ii) shall be subject to approval by the Department of Assessments and  
5 Taxation.

6 (2) The Department shall approve any local semiannual payment schedule  
7 collection that:

8 (i) provides efficient and cost-effective collection of taxes; and

9 (ii) provides two semiannual coupons, two semiannual billing forms, or  
10 a similar method that allows taxpayers [to elect, at the time they receive their tax bills,  
11 to pay on [either] a semiannual [or annual] basis.

12 (3) Local semiannual payment schedule collection systems that are not  
13 approved by the Department shall utilize 2 semiannual payment coupons that may be  
14 submitted separately with the appropriate payment as semiannual payments[, or at the  
15 same time with a single annual payment].

16 [(j)] (I) A payment under a semiannual schedule is due:

17 (1) for the first installment:

18 (i) on July 1 of the tax year; and

19 (ii) may be paid without interest on or before September 30 of the tax  
20 year; and

21 (2) for the second installment:

22 (i) on January 1 of the tax year; and

23 (ii) except for the service charge, may be paid without interest on or  
24 before January 31 of the tax year.

25 [(k)] (J) [(1)] If an escrow account is established for the payment of the property  
26 tax, the escrow account servicer shall pay [tax in annual payments unless the escrow  
27 account servicer has received written direction from the property owner or borrower to  
28 pay] property tax in semiannual installments.

29 [(2) If a taxpayer provides written direction to an escrow account servicer at  
30 least 60 days prior to the beginning of the tax year, property taxes shall be paid on a  
31 semiannual payment basis on behalf of that taxpayer by the escrow account servicer in the  
32 tax year that begins immediately following the year in which the written direction was  
33 received.

34 (3) Except for a semiannual payment schedule election made under  
35 subsection (c)(1) of this section, if a taxpayer provides written direction to an escrow  
36 account servicer less than 60 days prior to the beginning of the tax year, property taxes  
37 may be paid on a semiannual payment basis on behalf of that taxpayer by the escrow

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1 account servicer in the tax year that begins immediately following the year in which the  
2 written direction was received.]

3           SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall  
4 take effect July 1, 1999.

5           SECTION 4. AND BE IT FURTHER ENACTED, That, except as provided in  
6 Section 3 of this Act, this Act shall take effect July 1, 1997.