

HOUSE BILL 897

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Q1

1999 Regular Session  
(9r1598)

*ENROLLED BILL*

-- *Ways and Means/Budget and Taxation* --

Introduced by **Delegates Franchot, Hixson, Shriver, Cryor, Heller, Carlson,  
Finifter, C. Davis, Rzepkowski, Patterson, and Phillips**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this  
\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_ M.

\_\_\_\_\_  
Speaker.

CHAPTER \_\_\_\_\_

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; and providing  
5 that a service charge for semiannual payments does not apply under certain  
6 circumstances; providing for a delayed effective date; and generally relating to  
7 semiannual payment of property taxes on certain real property.

8 BY repealing and reenacting, with amendments,  
9 Article - Real Property  
10 Section 3-104(c)(5)  
11 Annotated Code of Maryland  
12 (1996 Replacement Volume and 1998 Supplement)

13 BY repealing and reenacting, with amendments,  
14 Article - Tax - Property

1 Section 10-204.3 and 10-402(a)  
2 Annotated Code of Maryland  
3 (1994 Replacement Volume and 1998 Supplement)

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

6 **Article - Real Property**

7 3-104.

8 (c) (5) [If a buyer elects at] AT the time of transfer OF REAL PROPERTY  
9 SUBJECT TO a semiannual payment schedule for the payment of property taxes, ONLY  
10 THOSE SEMIANNUAL PAYMENTS THAT ARE DUE for the current taxable year under §  
11 10-204.3 of the Tax - Property Article[, only those installments which are due] must  
12 be paid prior to the transfer of the property.

13 **Article - Tax - Property**

14 10-204.3.

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

17 (b) Notwithstanding Subtitle 1 of this title:

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

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

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

25 (1) [may be elected] at the time of the transfer of property purchased on  
26 or after July 1, [1995] ~~1999~~ 2000; and

27 (2) [may be elected on an annual basis by] TO any current or future  
28 owner of owner-occupied residential property, regardless of whether the property was  
29 purchased before July 1, [1995] ~~1999~~ 2000.

30 (d) (1) [A] THE semiannual payment schedule [election] under ~~subsection~~  
31 ~~(e)(1)~~ of this section shall apply to:

32 (i) the property tax due for the tax year following transfer of the  
33 property; and

1 (ii) the property tax due and not in arrears for the current tax year  
2 for any transfer occurring ~~between July 1 and January 1 of property that is currently~~  
3 ~~subject to a semiannual schedule of property tax payment~~ ON OR AFTER JULY 1 BUT  
4 ON OR BEFORE SEPTEMBER 30.

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

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

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

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

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

18 1. information about the semiannual payment option  
19 eligibility requirements and specific instructions for electing semiannual property tax  
20 payment; and

21 2. a tear-out or other response form that can be used by  
22 taxpayers to request that their property taxes be paid on a semiannual basis to  
23 mortgage companies or other escrow account servicer or local governments.

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

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

30 (f) (E) A [property owner electing to pay real property taxes under a]  
31 semiannual payment schedule ~~shall~~ MAY [pay] INCLUDE a service charge TO BE PAID  
32 with the second installment.

33 [(g) (F) ~~The~~ A service charge:

34 (1) shall be:

35 (i) adopted by the taxing authority that collects the property taxes  
36 after obtaining the prior approval of the amount of the service charge from the

1 Department, as part of adoption of the property tax rate under §§ 6-301 through  
2 6-303 of this article;

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

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

9 (iv) calculated in an amount:

10 1. reasonably equivalent to the anticipated lost interest  
11 income associated with the 3-MONTH delay in payment of the second installment BY  
12 MULTIPLYING THE AMOUNT OF THE SECOND INSTALLMENT BY A RATE NOT  
13 EXCEEDING 1.5%; and

14 2. covering administrative expenses associated with the  
15 semiannual payment not exceeding the lesser of the actual expenses incurred in the  
16 preceding fiscal year per semiannual tax account as approved by the State  
17 Department of Assessments and Taxation or 10% of the charge for THE ANTICIPATED  
18 lost interest INCOME AS CALCULATED IN ITEM 1 OF THIS ITEM;

19 (2) DOES NOT APPLY IF BOTH INSTALLMENTS OF PROPERTY TAX ARE  
20 PAID ON OR BEFORE SEPTEMBER 30 OF THE TAXABLE YEAR; and

21 (2) (3) may not be considered to be a property tax for the purposes of  
22 any provision of a local law or charter that limits the property tax rate or property tax  
23 revenues.

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

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

29 (i) shall state:

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

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

35 3. the amount of ANY service charge to be paid with the  
36 second installment UNLESS THE SECOND INSTALLMENT IS PAID ON OR BEFORE  
37 SEPTEMBER 30 OF THE TAXABLE YEAR;



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

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

9 10-402.

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

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

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

25 SECTION 2. AND BE IT FURTHER ENACTED, That for the taxable year  
26 beginning July 1, 1999, a semiannual payment schedule election under § 10-204.3 of  
27 the Tax - Property Article shall apply to the property tax due and not in arrears for the  
28 current tax year for any transfer occurring on or after July 1, 1999 but on or before  
29 September 30, 1999.

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

32 ~~SECTION 2. 4.~~ AND BE IT FURTHER ENACTED, That, except as provided in  
33 Section 3 of this Act, this Act shall take effect July 1, ~~1999~~ 2000.

