

SENATE BILL 677

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1999 Regular Session  
9r2375  
CF 9r1598

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By: **Senator Lawlah**  
Introduced and read first time: February 15, 1999  
Assigned to: Rules

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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.

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

10 BY repealing and reenacting, with amendments,  
11 Article - Tax - Property  
12 Section 10-204.3 and 10-402(a)  
13 Annotated Code of Maryland  
14 (1994 Replacement Volume and 1998 Supplement)

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

17 **Article - Real Property**

18 3-104.

19 (c) (5) [If a buyer elects at] AT the time of transfer OF REAL PROPERTY  
20 SUBJECT TO a semiannual payment schedule for the payment of property taxes, ONLY  
21 THOSE SEMIANNUAL PAYMENTS THAT ARE DUE for the current taxable year under §  
22 10-204.3 of the Tax - Property Article[, only those installments which are due] must  
23 be paid prior to the transfer of the property.

1 **Article - Tax - Property**

2 10-204.3.

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

5 (b) Notwithstanding Subtitle 1 of this title:

6 (1) the governing body of a county shall provide [an optional] A  
7 semiannual payment schedule for State, county, and special taxing district property  
8 taxes due on owner-occupied residential property; and9 (2) the governing body of a municipal corporation shall provide [an  
10 optional] A semiannual payment schedule for municipal corporation and special  
11 taxing district property taxes due on owner-occupied residential property.

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

13 (1) [may be elected] at the time of the transfer of property purchased on  
14 or after July 1, [1995] 1999; and15 (2) [may be elected on an annual basis by] TO any current or future  
16 owner of owner-occupied residential property, regardless of whether the property was  
17 purchased before July 1, [1995] 1999.18 (d) (1) [A] THE semiannual payment schedule [election] under subsection  
19 (c)(1) of this section shall apply to:20 (i) the property tax due for the tax year following transfer of the  
21 property; and22 (ii) the property tax due and not in arrears for the current tax year  
23 for any transfer occurring between July 1 and January 1 of property that is currently  
24 subject to a semiannual schedule of property tax payment.25 (2) [Once the property owner elects to pay property taxes according to a  
26 semiannual payment schedule, that election shall remain effective until changed by  
27 the property owner or the property is transferred.28 (3) An election of a semiannual payment schedule may not be effective  
29 unless the] THE first installment [is] OF A SEMIANNUAL PAYMENT SHALL BE paid  
30 on or before September 30.31 [(e) (1) A county or municipal corporation may adopt procedures to notify  
32 taxpayers of the availability of the semiannual property tax payment option.33 (2) (i) A county or municipal corporation shall notify property owners  
34 on an annual basis about the availability of the semiannual property tax payment  
35 option through newspaper advertisements or through written notification sent to all  
36 eligible property owners.

- 1 (ii) The newspaper advertisements or written notice shall include:
- 2 1. information about the semiannual payment option  
3 eligibility requirements and specific instructions for electing semiannual property tax  
4 payment; and
- 5 2. a tear-out or other response form that can be used by  
6 taxpayers to request that their property taxes be paid on a semiannual basis to  
7 mortgage companies or other escrow account servicer or local governments.
- 8 (iii) When providing notice through a newspaper, the newspaper  
9 advertisement shall be published at least two times during the month of March of  
10 each year.
- 11 (iv) The newspaper advertisement or the written notification shall  
12 allow owners who pay property taxes through an escrow account servicer or mortgage  
13 company at least 60 days to elect a payment option.
- 14 (f) (E) A [property owner electing to pay real property taxes under a]  
15 semiannual payment schedule shall [pay] INCLUDE a service charge TO BE PAID with  
16 the second installment.
- 17 [(g)] (F) The service charge:
- 18 (1) shall be:
- 19 (i) adopted by the taxing authority that collects the property taxes  
20 after obtaining the prior approval of the amount of the service charge from the  
21 Department, as part of adoption of the property tax rate under §§ 6-301 through  
22 6-303 of this article;
- 23 (ii) applicable to all property tax being collected by the taxing  
24 authority on the semiannual payment schedule for itself and for any other taxing  
25 authority;
- 26 (iii) expressed as a percent of the amount of tax due at the second  
27 installment and shown on the tax bill as a percent and actual dollar amount charged;  
28 and
- 29 (iv) calculated in an amount:
- 30 1. reasonably equivalent to the anticipated lost interest  
31 income associated with the delay in payment of the second installment; and
- 32 2. covering administrative expenses associated with the  
33 semiannual payment not exceeding the lesser of the actual expenses incurred in the  
34 preceding fiscal year per semiannual tax account as approved by the State  
35 Department of Assessments and Taxation or 10% of the charge for lost interest; and

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

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

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

9 (i) shall state:

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

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

15 3. the amount of service charge to be paid with the second  
 16 installment; and

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

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

20 (2) The Department shall approve any local semiannual payment  
 21 schedule collection that:

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

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

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

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

31 (1) for the first installment:

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

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

1 (2) for the second installment:

2 (i) on [January 1] DECEMBER 1 of the tax year; and

3 (ii) except for the service charge, may be paid without interest on or  
4 before [January] DECEMBER 31 of the tax year.

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

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

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

20 10-402.

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

25 (2) If real property ownership is transferred on or after July 1 and before  
26 January 1, and the [transferee elects] PROPERTY IS SUBJECT TO a semiannual  
27 payment schedule of property tax for the current taxable year under § 10-204.3 of  
28 this title, the transferor is liable for any semiannual property tax installment that  
29 may be due for the real property in the current taxable year at the time of transfer,  
30 and is not liable for the second semiannual installment that is due after the date of  
31 transfer. The transferee is solely liable for any semiannual property tax installment  
32 for the current taxable year that is due after the date of transfer.

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

36 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
37 July 1, 1999.