

SENATE BILL 677

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1999 Regular Session  
9lr2375  
CF 9lr1598

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By: **Senator Lawlah**

Introduced and read first time: February 15, 1999

Assigned to: Rules

Re-referred to: Budget and Taxation, February 22, 1999

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: April 9, 1999

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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; providing that a  
5 service charge for semiannual payments does not apply under certain  
6 circumstances; providing for a delayed effective date; and generally relating to  
7 the 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  
15 Section 10-204.3 and 10-402(a)  
16 Annotated Code of Maryland  
17 (1994 Replacement Volume and 1998 Supplement)

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

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 PAYMENTS THAT ARE DUE for the current taxable year under §  
 6 10-204.3 of the Tax - Property Article[, only those installments which are due] must  
 7 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  
 15 taxes 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  
 18 taxing 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  
 21 or after July 1, [1995] ~~1999~~ 2000; 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] ~~1999~~ 2000.

25 (d) (1) [A] THE semiannual payment schedule [election] under ~~subsection~~  
 26 ~~(e)(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  
 30 for any transfer occurring ~~between July 1 and January 1 of property that is currently~~  
 31 ~~subject to a semiannual schedule of property tax payment~~ ON OR AFTER JULY 1 BUT  
 32 ON OR BEFORE SEPTEMBER 30.

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

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

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

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

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

11 1. information about the semiannual payment option  
 12 eligibility requirements and specific instructions for electing semiannual property tax  
 13 payment; and

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

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

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

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

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

27 (1) shall be:

28 (i) adopted by the taxing authority that collects the property taxes  
 29 after obtaining the prior approval of the amount of the service charge from the  
 30 Department, as part of adoption of the property tax rate under §§ 6-301 through  
 31 6-303 of this article;

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

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

1 (iv) calculated in an amount:

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

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

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

13 ~~(2)~~ (3) may not be considered to be a property tax for the purposes of  
14 any provision of a local law or charter that limits the property tax rate or property tax  
15 revenues.

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

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

21 (i) shall state:

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

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

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

30 4. THAT THE SERVICE CHARGE DOES NOT APPLY IF BOTH  
31 INSTALLMENTS ARE PAID ON OR BEFORE SEPTEMBER 30 OF THE TAXABLE YEAR; and

32 ~~4.~~ 5. the date the tax payment is due; and

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

35 (2) The Department shall approve any local semiannual payment  
36 schedule collection that:

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

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

5 (3) Local semiannual payment schedule collection systems that are not  
6 approved by the Department shall utilize 2 semiannual payment coupons that [may  
7 be submitted separately with the appropriate payment as semiannual payments ~~£~~, or  
8 at the same time with a single annual payment] SHALL BE SUBMITTED WITH THE  
9 APPROPRIATE PAYMENT.

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

11 (1) for the first installment:

12 (i) IS DUE on July 1 of the tax year; and

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

15 (2) for the second installment:

16 (i) IS DUE on [January 1] DECEMBER 1 of the tax year; ~~and~~

17 (ii) except for the service charge, may be paid without interest on or  
18 before [January] DECEMBER 31 of the tax year; AND

19 (III) MAY BE PREPAID WITHOUT THE SERVICE CHARGE OR  
20 INTEREST ON OR BEFORE SEPTEMBER 30 OF THE TAX YEAR.

21 [(k)] (J) (1) [(1)] If an escrow account is established for the payment of the  
22 property tax, the escrow account servicer shall pay ~~{tax in annual payments~~  
23 SEMIANNUAL INSTALLMENTS unless the escrow account servicer has received  
24 written direction from the property owner or borrower to pay~~} property tax in~~  
25 ~~semiannual installments~~ ANNUAL PAYMENTS.

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

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

1 10-402.

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

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

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

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

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

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