

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 766 (Senator Colburn)

Budget and Taxation

Property Tax - Refunds - Interest

This bill alters the method of calculating the rate of interest to be paid on property tax refunds or any amount paid by a taxpayer that exceeds the amount properly chargeable under a property tax appeal ruling. Under this bill, the interest rate is 2 percentage points above the average investment yield on State money for the State's previous fiscal year, as published in the Treasurer's Annual Report, rounded to the nearest whole number.

The bill is effective July 1, 1999.

Fiscal Summary

State Effect: None.

Local Effect: Indeterminate effect on local expenditures. Revenues would not be affected.

Small Business Effect: Potential minimal.

Fiscal Analysis

Background: Current law provides that a county shall set the interest rate, by law, for refunds of county or municipal corporation estimated property tax on personal property or operating property. The interest rate for refunds of money paid by a taxpayer that exceeds the amount properly chargeable (on tax appeals) is set by statute at the same rate that the taxes would have borne if they were overdue.

Local Effect: The effect of this bill on local governments could vary county to county because each county sets its own interest rate on property tax refunds. The interest payments on these refunds could increase or decrease to the extent the county's current interest rate

differs from the Treasurer's Annual Report interest rate and to the extent the interest rate published in the Treasurer's Annual Report fluctuates from year to year.

For illustrative purposes, Prince George's County advises that its interest rate on property tax refunds is set at 8%, and the Treasurer's Annual Report indicates that the average investment yield on State money for fiscal 1998 was 5.54%. Therefore, Prince George's County would experience no change in its property tax refund expenditures. Counties that have an interest rate less than 8% would experience an increase in their property tax refund expenditures, while those counties with interest rates higher than 8% would experience a decrease.

Information Source(s): Prince George's County, Queen Anne's County, Treasurer's Office

Fiscal Note History: First Reader - March 15, 1999
dmm/hlb

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