

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE
Revised

Senate Bill 208

(Senator Frosh, *et al.*)

Budget and Taxation

Ways and Means

Property Tax - Petition for Review Outside of Assessment Cycle

This emergency bill repeals the authority for municipalities, counties, and the Attorney General to appeal a real property tax assessment outside of an assessment cycle. The right to appeal within 45 days after an assessment is issued remains unchanged. The bill also provides that the Department of Assessments and Taxation shall not certify an assessment after the effective date of the bill that reflects an increase related to a petition for review after January 1, 2000 by a local government, and the local government may not issue a tax bill after the effective date of the bill that reflects an increase related to a petition for review after January 1, 2000 by a local government.

Fiscal Summary

State Effect: Annuity Bond Fund revenues could decrease by approximately \$481,000 in FY 2003 and by \$283,000 annually thereafter. A corresponding increase in general fund expenditures would occur for the increase in debt service expenditures.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SF Revenue	(\$481,000)	(\$283,000)	(\$283,000)	(\$283,000)	(\$283,000)
GF Expenditure	481,000	283,000	283,000	283,000	283,000
Net Effect	(\$962,000)	(\$566,000)	(\$566,000)	(\$566,000)	(\$566,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Montgomery County property tax revenues could decrease in FY 2003 by \$4.3 million and in future years by approximately \$2.5 million.

Small Business Effect: Potential minimal decrease in expenses if property taxes could not be raised by local governments on an out-of-cycle basis.

Analysis

Current Law: Taxpayers, counties, municipalities, and the Attorney General can appeal a property tax assessment in several ways. The assessment can be appealed within 45 days of receipt of an assessment notice; by a petition for review; and within 60 days of purchase of a property between January 1 and June 30. The right to appeal based on the purchase of property applies only to the taxpayer. A petition for review must be filed with the Department of Assessments and Taxation by January 1 of any year. The filing of the petition triggers an out-of-cycle assessment appeal.

An appellant first appeals an assessment to the Department of Assessment and Taxation's Supervisor of Assessments of the appropriate county. After a hearing, a final decision notice is sent to the appellant and if dissatisfied, an appeal of the final decision notice may be filed within 30 days of the supervisor's decision notice. The second appeal is a hearing before the county Property Tax Assessment Appeals Board. If the appellant is still dissatisfied, the decision may be appealed to the Maryland Tax Court.

Current law requires the county supervisor of assessments to annually correct assessments for properties that are newly acquired or which have changed in value. This language was made obsolete when the State adopted the triennial assessment cycle in 1979, and is repealed by this bill.

The State real property tax rate is \$0.084 per \$100 of assessed value. All State property tax revenues are credited to a special fund, the Annuity Bond Fund, dedicated exclusively to paying the debt service on State general obligation bonds. Local governments generally have the authority to set their own property tax rates.

Background: Since the petition right was granted to local governments in 1976, Montgomery County has been the only county to use the authority. The Department of Assessments and Taxation received 2,100 out-of-cycle petitions for January 1, 2002. The Montgomery County Office of Assessments received 882 petitions, of which 727 were from the county and the rest were from taxpayers. The number of petitions filed by the county has increased from 161 in 1998 to the 727 in 2002. No municipality had ever filed a petition until recently when Rockville filed ten and Gaithersburg filed one. The Attorney General's Office has never filed a petition.

All the Montgomery County petitions have requested assessment increases and the Supervisor of Assessments affirmed the original assessments. The county has appealed to the Property Tax Appeals Board where most property assessments are increased. Montgomery County routinely files a petition for appeal of a property tax assessment when a property sells for significantly more than the current assessment. The Department of Assessments and Taxation asserts that the petitions violate assessment uniformity and result in large variances in property assessments within the same neighborhood.

A group of 15 Montgomery County homeowners have filed an appeal of their increased property tax assessments with the Maryland Tax Court and are scheduled for hearings in early September.

Local Revenues: Montgomery County has collected additional property taxes due to increases in assessments from out-of-cycle petitions ranging from \$970,000 to \$2.5 million as shown below.

**Increases in Revenue from
Out-of-Cycle Petitions**

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Number of Petitions File</u>
1998	\$970,000	Not available
1999	\$1,400,000	161
2000	\$2,100,000	262
2001	\$1,800,000	486
2002	\$2,500,000	681
2003	Not finalized	727

While the amount that may be collected in fiscal 2003 and beyond cannot be determined with any certainty beforehand, it is assumed that Montgomery County revenues could decrease by like amounts as a result of not being able to appeal assessments on an out-of-cycle basis (approximately \$2.5 million annually).

Additionally, as a result of not being able to issue a tax bill after the effective date of this bill that reflects an increase related to a petition for review filed after January 1, 2000, Montgomery County property tax revenues will decrease by an additional \$1.8 million in fiscal 2003 for those properties that are in the appeal process related to fiscal 2002 assessments.

State Effect: The State's real property tax rate is approximately 11% of Montgomery County's real property tax rate. Because the State's property tax revenues also increase when the petition for review increases property tax assessments, State property tax revenues will decrease as a result of this bill. Based on the estimate of the decrease in Montgomery County's property tax revenues, State property tax revenues would decrease by \$481,000 in fiscal 2003 and \$283,000 annually thereafter.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Assessments and Taxation, Montgomery County, Caroline County, Calvert County, Baltimore City, Office of the Attorney General, The Baltimore Sun, Department of Legislative Services

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Analysis by: Karen S. Benton

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510