

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 110 (Chairman, Budget and Taxation Committee)
(By Request – Departmental – Assessments and Taxation)
Budget and Taxation Ways and Means

Property Tax - Constant Yield Tax Rate - Amendment

This departmental bill changes from May 1 to May 15 the date by which the Department of Assessments and Taxation may amend a constant yield tax rate certification. It also allows the department to amend a constant yield rate certification to reflect a significant loss of taxable base as determined by the Director of Assessments and Taxation.

Fiscal Summary

State Effect: The bill's changes could be handled with existing budgeted resources.

Local Effect: To the extent that receiving a revised constant yield rate certification would influence a local government's decision to change its tax rates, this bill could prevent a reduction in local government property tax revenues.

Small Business Effect: The Department of Assessments and Taxation has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: Amendments to the constant yield rate must be made by May 1 and are allowed only when directed to make a change by an enactment of the General Assembly or to correct an error in the calculation of the rate.

Background: Maryland's constant yield tax rate provision requires each taxing jurisdiction to give advance notice and hold public meetings prior to setting rates if the jurisdiction is considering a tax rate higher than the constant yield tax rate. Most meetings are held during April, May, and early June. Tax rates must be set by July 1, which is the beginning of the tax year.

The constant yield concept is that, as assessments rise, the tax rate should drop to the point that the revenue derived from the property tax stays at a constant level from one year to the next, thus assuring a constant yield from this tax source. The constant yield tax rate is simply a property tax rate that, when applied to new assessments, will result in the taxing authority receiving the same revenue in the coming taxable year that was produced in the prior taxable year.

Prior to February 15 each year, the Department of Assessments and Taxation notifies the counties, Baltimore City, and municipal taxing authorities of the tax rate that would produce the same revenue from the property tax as was produced the year before. The rates certified to the local governments are known as the constant yield tax rates and are based on the new, net assessable base for that jurisdiction. New property or construction added to the rolls for the first time is subtracted from the calculation and allowances for abatements and other deletions are deducted in arriving at the net assessable base for this purpose.

The local taxing authority cannot set a tax rate that exceeds that constant yield tax rate until first advertising its intent to do so. The notice must meet certain specifications. The taxing authority may, at its option, mail a copy of the notice to each taxpayer instead of publishing an advertisement.

The taxing authority must meet on the day and time shown in the notice. This meeting must be held between 7 and 21 days after the advertisement is published. The hearing must be held on or before June 17. Afterward, the taxing authority may adopt a resolution or ordinance adopting a property tax rate in excess of the constant yield tax rate, but if the ordinance or resolution is not approved on the day of the public hearing, the day, time, and place where the resolution or ordinance will be scheduled for consideration and approval must be announced at the public hearing.

The Department of Assessments and Taxation is charged with the responsibility of administering the constant yield tax rate provisions. In addition to calculating the rate, the department also oversees and monitors the advertising requirements. If violations are detected, the department must report them to the Attorney General who must investigate and take appropriate legal action to effect compliance.

Local Fiscal Effect: To the extent that a revised constant yield rate would influence a local government to change its property tax rate, this bill could prevent a reduction in property tax revenues. Legislative Services is unable to determine the likelihood of this situation occurring and any resulting increase in revenue.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Assessments and Taxation, Department of Legislative Services

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