

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 113 (Chairman, Budget and Taxation Committee)
(By Request – Departmental – Assessments and Taxation)
Budget and Taxation Ways and Means

Property Tax - Damaged Property

This departmental bill changes the prorating of property taxes due on damaged property from quarterly to monthly.

The bill is effective July 1, 2003.

Fiscal Summary

State Effect: Annuity Bond Fund revenues could decrease and State general fund expenditures would increase by an equal amount. Any change would likely not be significant based on recent tornado damage.

Local Effect: Local government property tax revenues could decrease. Any decrease would likely not be significant based on recent tornado damage.

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: Property tax on damaged property is abated for the remaining quarters of the tax year following the damage. Specifically, property taxes due on damaged property are 25% of the total taxes if the property is damaged in the first three months of the

taxable year; 50% if damaged in the second three months; 75% if damaged in the third three months; and 100% if damaged in the last three months.

The State real property tax rate is \$.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. Any decrease in revenues for the Annuity Bond Fund results in a corresponding increase in general fund expenditures used to pay debt service.

Background: In April and May 2002, tornadoes damaged properties in several Maryland jurisdictions. In Charles County, the assessed values of 157 properties were reduced by a total of \$19.1 million as a result of the April 28 tornado. Properties in the Town of LaPlata accounted for \$11 million of the \$19.1 million reduction in Charles County. In Calvert County, the assessed values of six properties were reduced by a total of \$500,000, and in Dorchester County, the assessed values of two accounts were reduced by a total of \$63,000 as a result of the same April 28 storm. Cecil County had assessments on four properties reduced by \$86,140 as a result of a tornado on May 2 and the assessment on one account reduced by \$8,210 as a result of a tornado on May 13. Under current law, because these properties were damaged after March 31, abatements of taxes were not effective until July 1.

State Fiscal Effect: By abating damaged property on a monthly basis, property owners will generally receive larger refunds of their current year property taxes. Accordingly, under this bill, unless the property was damaged in September, December, March, or June, property tax revenues would decrease as compared with current law. For example, under the bill, property owners in Charles, Dorchester, and Calvert counties would have received over \$38,400 in county and municipal property tax refunds and \$2,808 in State property tax refunds due to the April 28, 2002 storms. Hurricanes, tornadoes, floods, and other natural disasters are not predictable. Fires occur throughout the State on a daily basis. It is difficult to accurately predict what the total annual reduction of taxable base would be for damaged properties. However, it is likely that any resulting loss in property tax revenue would not be significant because the base reductions may not be for the entire year as properties are placed back on the tax rolls when they are renovated, repaired, or rebuilt.

Local Revenues: Local government property tax revenues would decrease if property damage occurs in 8 of the 12 months. However, any decrease is not expected to be significant for the same reasons noted above.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 28, 2003
ncs/jr

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