
By: **Delegates Pendergrass, Bobo, Miller, Quinter, and F. Turner**
Introduced and read first time: February 3, 2004
Assigned to: Environmental Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Homeowners Associations - Annual Charges**

3 FOR the purpose of requiring a homeowners association to base a certain annual
4 charge on a certain phased in value under certain circumstances; requiring the
5 governing body of a homeowners association to provide a rebate or credit from a
6 certain annual charge under certain circumstances; providing that, when
7 calculating a certain annual charge, a homeowners association may not consider
8 the rate of assessed value of property to have increased by more than a certain
9 amount in a taxable year under certain circumstances; defining a certain term;
10 stating the intent of the General Assembly; clarifying that certain valuations of
11 property for certain purposes shall be a certain percentage of the phased in
12 value; providing for the application of this Act; making the provisions of this Act
13 severable; and generally relating to an annual charge imposed by a homeowners
14 association.

15 BY adding to
16 Article - Real Property
17 Section 11B-113.1
18 Annotated Code of Maryland
19 (2003 Replacement Volume and 2003 Supplement)

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

22 **Article - Real Property**

23 11B-113.1.

24 (A) IT IS THE INTENT OF THE GENERAL ASSEMBLY TO PREVENT UNFAIR
25 TREATMENT OF PROPERTY OWNERS BY A HOMEOWNERS ASSOCIATION WHEN
26 ANNUAL CHARGES BASED ON THE ASSESSED VALUE OF PROPERTY IMPOSED BY THE
27 HOMEOWNERS ASSOCIATION INCREASE AT SUCH A RATE THAT IT CREATES AN
28 UNEXPECTED WINDFALL FOR THE HOMEOWNERS ASSOCIATION.

1 (B) IN THIS SECTION, THE TERM "ANNUAL CHARGE" MEANS A CHARGE BASED
2 ON THE CURRENT ASSESSED VALUE OF PROPERTY FOR COUNTY AND STATE
3 PROPERTY TAXES THAT IS LEVIED BY A HOMEOWNERS ASSOCIATION ON PROPERTY
4 IN A DEVELOPMENT.

5 (C) THIS SECTION ONLY APPLIES TO A DEVELOPMENT THAT:

6 (1) CONTAINS AT LEAST 13,000 ACRES OF LAND AND HAS A POPULATION
7 OF AT LEAST 80,000; AND

8 (2) IS GOVERNED BY A HOMEOWNERS ASSOCIATION THAT LEVIES AN
9 ANNUAL CHARGE ON PROPERTY WITHIN THE DEVELOPMENT.

10 (D) A HOMEOWNERS ASSOCIATION SHALL BASE THE ANNUAL CHARGE FOR
11 THE REVALUED PROPERTIES ON THE PHASED IN VALUE OF PROPERTY AS PROVIDED
12 UNDER § 8-103 OF THE TAX - PROPERTY ARTICLE.

13 (E) UNTIL THE ANNUAL CHARGE FOR THE REVALUED PROPERTY IS BASED ON
14 THE PHASED IN VALUE OF PROPERTY AS REQUIRED UNDER SUBSECTION (D) OF THIS
15 SECTION, IF THE VALUE OF THE PROPERTIES REVALUED AS OF THE MOST RECENT
16 DATE OF FINALITY AS PROVIDED IN § 8-104 OF THE TAX - PROPERTY ARTICLE
17 EXCEEDS THE PRIOR VALUATION BY MORE THAN 10%:

18 (1) THE INCREASE SHALL BE CONSIDERED AN UNEXPECTED WINDFALL
19 TO THE HOMEOWNERS ASSOCIATION THAT SHOULD BE OFFSET; AND

20 (2) BEGINNING WITH THE FIRST YEAR FOLLOWING THE REVALUATION
21 OF THE PROPERTY FOR STATE PROPERTY TAX PURPOSES, THE HOMEOWNERS
22 ASSOCIATION SHALL PROVIDE TO THE OWNER OF THE REVALUED PROPERTY A
23 REBATE OR CREDIT IN AN AMOUNT EQUAL TO THE PORTION OF THE ANNUAL
24 CHARGE THAT IS ATTRIBUTABLE TO THE GROWTH IN THE VALUE OF THE REVALUED
25 PROPERTY IN EXCESS OF 10%.

26 (F) SUBSECTIONS (D) AND (E) OF THIS SECTION DO NOT APPLY IF A
27 GOVERNING BODY CERTIFIES ON OR BEFORE APRIL 1 IN THE FIRST YEAR
28 FOLLOWING THE REVALUATION OF PROPERTY VALUES FOR STATE PROPERTY TAX
29 PURPOSES THAT THE REVENUES FROM THE ANNUAL CHARGES ARE INSUFFICIENT
30 TO MEET THE DEBT SERVICE REQUIREMENTS DURING THE NEXT TAXABLE YEAR ON
31 ALL BONDS THAT THE GOVERNING BODY ANTICIPATES WILL BE OUTSTANDING
32 DURING THAT YEAR.

33 (G) NOTWITHSTANDING ANY PROVISION OF THE LAW TO THE CONTRARY,
34 WHEN CALCULATING AN ANNUAL CHARGE, A HOMEOWNERS ASSOCIATION MAY NOT
35 CONSIDER THE RATE OF ASSESSED VALUE OF PROPERTY TO HAVE INCREASED BY
36 MORE THAN 10% IN A TAXABLE YEAR.

37 SECTION 2. AND BE IT FURTHER ENACTED, That, notwithstanding the
38 provisions of Section 1 of this Act, the valuation of real property for the purposes of
39 any private contract or covenant that was entered into or imposed prior to July 1,
40 1978, the effective date of Chapter 175 of the Acts of the General Assembly of 1978, for

1 the purpose of providing funds for public facilities or services through the imposition
2 of payments or charges based on valuations made by the State for real estate tax
3 purposes shall be 50% of the phased in value of property as provided under § 8-104 of
4 the Tax - Property Article.

5 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall be
6 construed to apply retroactively and shall be applied to and interpreted to affect all
7 annual charges imposed by a homeowners association made on or after January 1,
8 2003.

9 SECTION 4. AND BE IT FURTHER ENACTED, That if any provision of this
10 Act or the application thereof to any person or circumstance is held invalid for any
11 reason in a court of competent jurisdiction, the invalidity does not affect other
12 provisions or any other application of this Act which can be given effect without the
13 invalid provision or application, and for this purpose the provisions of this Act are
14 declared severable.

15 SECTION 5. AND BE IT FURTHER ENACTED, That this Act shall take effect
16 June 1, 2004.