

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 566

(Delegate Pendergrass, *et al.*)

Environmental Matters

Judicial Proceedings

Homeowners Associations - Annual Charges

This bill requires a homeowners association that has authority to levy an annual charge on a development that contains at least 13,000 acres and has a population of at least 80,000 to base its annual charge on the phased-in assessment value of property. The bill provides that any increase of more than 10% over the previous year's assessed value must be considered an unexpected windfall which is to be rebated or credited to the property owners in the following year. The bill provides that the windfall does not have to be rebated or credited if the governing body certifies that the excess revenues from the annual charges goes towards paying outstanding bonds which would not be fully covered without excess revenues.

The bill also clarifies that the valuation of real property, for any private contract or covenant that was entered into or imposed prior to July 1, 1978 for the purpose of providing funds for public facilities or services through the imposition of payments or charges based on valuations made by the State for real property purposes is required to be 50% of the phased-in value of property.

The bill takes effect June 1, 2004 and applies retroactively to all annual charges imposed by a homeowners association made on or after January 1, 2003.

Fiscal Summary

State Effect: None.

Local Effect: None. The bill does not affect local property taxes.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Homeowners associations in Maryland are governed by each association's specific governing documents and the Maryland Homeowners Association Act. This Act provides for items that may not be specifically mentioned in individual association's governing documents. The Act does not provide limitation on homeowners association fees.

Background: The only homeowners association that meets the requirements of the bill in terms of acreage and population is the Columbia Association in Howard County. Approximately 90,000 people reside in Columbia.

The Columbia Association levies an ad valorem charge (based upon the assessment) on all taxable accounts located in Columbia. According to the Columbia Association, there are 26,202 properties against which the Columbia Association charges are being levied. Of these, 845 are commercial and 25,357 are residential. The total assessment on these properties in fiscal 2004 was \$7,271,994,090. The estimated assessment for these properties for fiscal 2005 is \$7,642,893,640.

The Columbia Association and the Howard County Budget Office estimate that the bill's retroactive provision for rebates or credits could result in a one-time credit/refund of \$600,000 issued to homeowners in the Columbia Association.

Small Business Effect: There are approximately 845 commercial entities that pay fees to the Columbia Association. Small businesses would be positively impacted if the 10% cap on fees reduces the amount of association fees.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 2, 2004
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