
By: **Delegates Trueschler and Heller**

Introduced and read first time: February 11, 2005

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Property Tax - Reassessment of New Construction and Transferred**
3 **Property**

4 FOR the purpose of creating a new subclass of real property for property tax purposes
5 for certain real property that during the previous year has been transferred for
6 consideration to a new owner or has had substantially completed improvements
7 that have added a certain amount of value to the real property; providing that
8 the assessment of certain real property is its market value until a certain time
9 and under certain circumstances; requiring that certain real property be
10 revalued during a certain 3-year cycle if certain substantially completed
11 improvements add a certain amount of value to the property; requiring that
12 certain real property be revalued during a certain 3-year cycle if during the
13 previous year it has been transferred for consideration to a new owner or has
14 had substantially completed improvements that have added a certain amount of
15 value to the real property; providing that the State, a county, or a municipal
16 corporation may not grant a certain homestead property tax credit if during the
17 previous taxable year the value of a dwelling was increased by a certain amount
18 due to substantially completed improvements to the dwelling; providing for the
19 applicability of this Act; and generally relating to the reassessment of
20 transferred real property and certain new construction.

21 BY repealing and reenacting, with amendments,
22 Article - Tax - Property
23 Section 8-101, 8-103, 8-104, and 9-105
24 Annotated Code of Maryland
25 (2001 Replacement Volume and 2004 Supplement)

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

1 **Article - Tax - Property**

2 8-101.

3 (a) For assessment purposes, property shall be divided into classes and
4 subclasses.5 (b) Real property is a class of property and is divided into the following
6 subclasses:7 (1) land that is actively devoted to farm or agricultural use, assessed
8 under § 8-209 of this title;

9 (2) marshland, assessed under § 8-210 of this title;

10 (3) woodland, assessed under § 8-211 of this title;

11 (4) land of a country club or golf course, assessed under §§ 8-212 through
12 8-217 of this title;13 (5) land that is used for a planned development, assessed under §§ 8-220
14 through 8-225 of this title;15 (6) rezoned real property that is used for residential purposes, assessed
16 under §§ 8-226 through 8-228 of this title;

17 (7) operating real property of a railroad;

18 (8) operating real property of a public utility; [and]

19 (9) REAL PROPERTY THAT PRIOR TO THE DATE OF FINALITY:

20 (I) HAS BEEN TRANSFERRED FOR CONSIDERATION TO A NEW
21 OWNER; OR22 (II) HAD SUBSTANTIALLY COMPLETED IMPROVEMENTS THAT
23 ADDED AT LEAST \$300,000 IN VALUE TO THE PROPERTY; AND24 [(9)] (10) all other real property that is directed by this article to be
25 assessed.26 (c) Personal property is a class of property and is divided into the following
27 subclasses:

28 (1) stock in business;

29 (2) distilled spirits;

30 (3) operating personal property of a railroad;

- 1 (4) operating personal property of a public utility that is machinery or
2 equipment used to generate electricity or steam for sale;
- 3 (5) all other operating personal property of a public utility;
- 4 (6) machinery and equipment, other than operating personal property of
5 a public utility, that is used to generate:
- 6 (i) electricity or steam for sale; or
- 7 (ii) hot or chilled water for sale that is used to heat or cool a
8 building; and
- 9 (7) all other personal property that is directed by this article to be
10 assessed.

11 8-103.

12 (a) (1) In this section the following words have the meanings indicated.

13 (2) "New statewide value" means the phased in value of all real property
14 subject to property tax on January 1 preceding any taxable year, excluding the phased
15 in value of real property assessed for the 1st time during the calendar year beginning
16 on that January 1.

17 (3) "Phased in value" means for the 1st, 2nd, or 3rd year of a 3-year
18 cycle:

19 (i) the prior value of real property increased by one-third,
20 two-thirds, or the full amount by which the value increased over the prior value
21 based on a physical inspection of the real property; or

22 (ii) if the value of real property has not increased, the value
23 determined in the most recent valuation.

24 (4) "3-year cycle" means a continuous series of 3 calendar year periods
25 beginning for each period with the 1st calendar year after the calendar year in which
26 a physical inspection of real property is made under § 8-104(b) of this subtitle.

27 (b) On or before January 1 of each year, the Department shall determine the
28 new statewide value.

29 (c) (1) Except as provided in this subsection, the assessment of real property
30 is its phased in value.

31 (2) The assessment of the real property described in § 8-102(b) of this
32 subtitle is its phased in use value.

33 (3) The assessment of the operating real property described in § 8-108(c)
34 of this subtitle is its value.

1 (4) The assessment of the operating real property described in § 8-109(c)
2 of this subtitle is its value.

3 (5) THE ASSESSMENT OF THE REAL PROPERTY DESCRIBED IN §
4 8-101(B)(9) OF THIS SUBTITLE IS ITS VALUE AS DETERMINED UNDER § 8-104(D) OF
5 THIS SUBTITLE UNTIL THE END OF THE CURRENT 3-YEAR CYCLE UNLESS THE
6 PROPERTY IS REVALUED UNDER § 8-104(C) OF THIS SUBTITLE.

7 8-104.

8 (a) Real property shall be valued separately for:

9 (1) the land; and

10 (2) the improvements on the land.

11 (b) (1) Notwithstanding a revaluation under subsection (c) OR (D) of this
12 section, the Department or supervisor shall value all real property once in every
13 3-year cycle based on an exterior physical inspection of the real property.

14 (2) The date of finality for real property that is valued under this
15 subsection is the January 1 immediately before the 1st taxable year to which the
16 assessment based on the new value is applicable.

17 (c) (1) In any year of a 3-year cycle, real property shall be revalued if any of
18 the factors listed below causes a change in the value of the real property:

19 (i) the zoning classification is changed at the initiative of the
20 owner or anyone having an interest in the property;

21 (ii) a change in use or character occurs;

22 (iii) substantially completed improvements are made which add [at
23 least \$50,000] BETWEEN \$50,000 AND \$300,000 in value to the property;

24 (iv) an error in calculation or measurement of the real property
25 caused the value to be erroneous;

26 (v) a residential use assessment is terminated pursuant to § 8-226
27 of this title; or

28 (vi) a subdivision occurs. For purposes of this subsection,
29 "subdivision" means the division of real property into 2 or more parcels by subdivision
30 plat, condominium plat, time-share, metes and bounds, or other means.

31 (2) When real property is revalued under this subsection, the
32 Department or supervisor shall:

33 (i) determine the value that would have resulted if the revaluation
34 had occurred for the 1st year of the 3-year cycle;

1 (ii) determine the value that would have resulted if the revaluation
2 had occurred for the 1st year of the preceding 3-year cycle; and

3 (iii) adjust the phased-in value for each of the years remaining in
4 the 3-year cycle to reflect the change that results from the revaluation.

5 (3) The Department or supervisor shall revalue real property under
6 subparagraphs (i), (ii), (iv), (v), and (vi) of paragraph (1) of this subsection on the
7 semiannual date of finality. The revaluation shall be effective for the taxable year
8 beginning on the semiannual date of finality, if the notice under this title is sent no
9 later than 30 days after the semiannual date of finality.

10 (4) The Department or supervisor shall revalue real property under
11 subparagraph (iii) of paragraph (1) of this subsection on the date of finality,
12 semiannual date of finality, or quarterly date of finality following the substantial
13 completion of the improvements to land.

14 (d) IN ANY YEAR OF A 3-YEAR CYCLE, REAL PROPERTY SHALL BE REVALUED
15 FOR THE NEXT SUCCEEDING TAX YEAR IF THE REAL PROPERTY BECOMES PROPERTY
16 DESCRIBED IN § 8-101(B)(9) OF THIS SUBTITLE AS OF THE DATE OF FINALITY FOR
17 THAT TAX YEAR.

18 (E) (1) The local agency responsible for zoning shall provide the supervisor
19 of assessments a list of each zoning classification change within 30 days of the
20 approval of the change.

21 (2) The list shall identify any zoning classification change initiated or
22 requested by the owner of the property or anyone having an interest in the property.
23 9-105.

24 (a) (1) In this section the following words have the meanings indicated.

25 (2) (i) "Dwelling" means:

26 1. a house that is:

27 A. used as the principal residence of the homeowner; and

28 B. actually occupied or expected to be actually occupied by
29 the homeowner for more than 6 months of a 12-month period beginning with the date
30 of finality for the taxable year for which the property tax credit under this section is
31 sought; and

32 2. the lot or curtilage on which the house is erected.

33 (ii) "Dwelling" includes:

34 1. a condominium unit that is occupied by an individual who
35 has a legal interest in the condominium;

1 (7) "Active member" means a member of a limited liability company who
2 has or shares the authority to manage, control, and operate the limited liability
3 company and who shares the assets and earnings of the limited liability company
4 under an operating agreement under § 4A-402 of the Corporations and Associations
5 Article.

6 (b) If there is an increase in property assessment as calculated under this
7 section, the State and the governing body of each county and of each municipal
8 corporation shall grant a property tax credit under this section against the State,
9 county, and municipal corporation property tax imposed on real property by the State,
10 county, or municipal corporation.

11 (c) (1) If a dwelling is not used primarily for residential purposes, the
12 Department shall apportion the total property assessment between the part of the
13 dwelling that is used for residential purposes and the part of the dwelling that is not
14 used for residential purposes.

15 (2) If a homeowner does not actually reside in a dwelling for the required
16 time period because of illness or need of special care and is otherwise eligible for a
17 property tax credit under this section, the homeowner may qualify for the property
18 tax credit under this section.

19 (3) If a homeowner otherwise eligible for a credit under this section does
20 not actually reside in a dwelling for the required time period because the dwelling is
21 damaged due to an accident or natural disaster, the homeowner may continue to
22 qualify for a credit under this section for the current taxable year and 2 succeeding
23 taxable years even if the dwelling has been removed from the assessment roll in
24 accordance with § 10-304 of this article.

25 (4) (i) For a homeowner who is an active member of an agricultural
26 limited liability company to qualify for the property tax credit under this section:

27 1. the dwelling must have been owned and occupied by the
28 active member:

29 A. at the time of its transfer to the agricultural limited
30 liability company; or

31 B. if the dwelling was originally transferred to the
32 agricultural limited liability company as part of a conversion from a partnership
33 under § 4A-211 of the Corporations and Associations Article, then at the time of its
34 transfer to the former partnership; and

35 2. the agricultural limited liability company and the active
36 member who occupies the dwelling must file an application with the Department
37 establishing initial eligibility for the credit on or before June 30 for the following
38 taxable year and, at the request of the Department, must file an application in any
39 future year to verify continued eligibility.

1 (ii) Failure to file a timely application may result in
2 disqualification from the Homestead Tax Credit Program for the following taxable
3 year.

4 (iii) The credit may only be granted to one dwelling owned by the
5 agricultural limited liability company.

6 (iv) Participation in the credit program as the active member of an
7 agricultural limited liability company disqualifies any other dwellings owned by the
8 active member for the credit.

9 (d) (1) The Department shall authorize and the State, a county, or a
10 municipal corporation shall grant a property tax credit under this section for a
11 taxable year unless during the previous taxable year:

12 (i) the dwelling was transferred for consideration to new
13 ownership;

14 (ii) THE VALUE OF THE DWELLING WAS INCREASED BY AT LEAST
15 \$300,000 DUE TO SUBSTANTIALLY COMPLETED IMPROVEMENTS TO THE DWELLING;

16 (III) the value of the dwelling was increased due to a change in the
17 zoning classification of the dwelling initiated or requested by the homeowner or
18 anyone having an interest in the property;

19 [(iii)] (IV) the use of the dwelling was changed substantially; or

20 [(iv)] (V) the assessment of the dwelling was clearly erroneous due
21 to an error in calculation or measurement of improvements on the real property.

22 (2) A homeowner must actually reside in the dwelling by July 1 of the
23 taxable year for which the property tax credit under this section is to be allowed.

24 (3) A homeowner may claim a property tax credit under this section for
25 only 1 dwelling.

26 (4) If a property tax credit under this section is less than \$1 in any
27 taxable year, the tax credit may not be granted.

28 (e) (1) For each taxable year, the property tax credit under this section is
29 calculated by:

30 (i) multiplying the prior year's taxable assessment by the
31 homestead credit percentage as provided under paragraph (2) of this subsection;

32 (ii) subtracting that amount from the current year's assessment;
33 and

34 (iii) if the difference is a positive number, multiplying the difference
35 by the applicable State, county, or municipal corporation property tax rate for the
36 current year.

1 (2) For each taxable year, the homestead credit percentage under
2 paragraph (1)(i) of this subsection is:

3 (i) for the State property tax, 110%;

4 (ii) for the county property tax:

5 1. the homestead credit percentage established by the county
6 under paragraph (3) of this subsection; or

7 2. if the county has not set a percentage for the taxable year
8 under paragraph (3) of this subsection or has not notified the Department as required
9 under paragraph (6) of this subsection, the homestead credit percentage in effect for
10 the county for the preceding taxable year; and

11 (iii) for the municipal corporation property tax:

12 1. the homestead credit percentage established by the
13 municipal corporation under paragraph (4) of this subsection; or

14 2. if the municipal corporation has not set a percentage
15 under paragraph (4) of this subsection or has not notified the Department as required
16 under paragraph (7) of this subsection, the homestead credit percentage for the
17 taxable year for the county in which the property is located.

18 (3) Subject to paragraph (5) of this subsection, the Mayor and City
19 Council of Baltimore City and the governing body of a county on or before November
20 15 of any year shall set, by law, the homestead credit percentage for the taxable year
21 beginning the following July 1.

22 (4) Subject to paragraph (5) of this subsection, on or before November 25
23 of any year, the governing body of a municipal corporation may set or alter, by law, a
24 homestead credit percentage for the taxable year beginning the following July 1 and
25 any subsequent taxable year.

26 (5) The homestead credit percentage for any county or municipal
27 corporation property tax:

28 (i) may not be less than 100% or exceed 110% for any taxable year;
29 and

30 (ii) shall be expressed in increments of 1 percentage point.

31 (6) The Mayor and City Council of Baltimore City and the governing
32 body of a county shall notify the Department of any action taken under paragraph (3)
33 of this subsection on or before November 15 preceding the taxable year for which the
34 action is taken.

1 (7) A municipal corporation shall notify the Department of any action
2 taken under paragraph (4) of this subsection on or before November 25 preceding the
3 taxable year for which the action is taken.

4 (f) The Department shall give notice of the possible property tax credit under
5 this section.

6 (g) A homeowner who meets the requirements of this section shall be granted
7 the property tax credit under this section against the State, county, and municipal
8 corporation property tax imposed on the real property of the dwelling.

9 (h) The tax credit under this section shall be included on the homeowner's
10 property tax bill.

11 (i) (1) When property that has received a credit under this section for the
12 current taxable year includes improvements that are removed from the assessment
13 roll under § 10-304 of this article because of damage due to an accident or a natural
14 disaster:

15 (i) the full benefit of the property tax abatement under § 10-304 of
16 this article may not be diminished by the amount of the credit;

17 (ii) the full benefit of that credit may not be diminished by the
18 property tax abatement under § 10-304 of this article and shall be reflected in the
19 assessment of the total property, including any new improvements, for the current
20 taxable year; and

21 (iii) the property shall be eligible to receive a credit under this
22 section for the current taxable year and the two succeeding taxable years regardless
23 of the existence or condition of the dwelling.

24 (2) Neither the calculation of the abatement nor the assessment under
25 this subsection shall include an assessment less than zero.

26 (j) The Department shall adopt rules and regulations to implement this
27 section.

28 (k) The tax credit under this section shall be known as the homestead
29 property tax credit.

30 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
31 June 1, 2005, and shall be applicable to all taxable years beginning after June 30,
32 2005.