

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 456

(Senator Colburn)

Budget and Taxation

Ways and Means

Interest Rate for Overdue Property Tax - Mardela Springs

This bill requires the governing body of Mardela Springs to set a maximum 1% interest rate for overdue municipal property taxes for each month or fraction of a month that the property tax is overdue.

The bill takes effect June 1, 2007.

Fiscal Summary

State Effect: None.

Local Effect: Potential minimal increase in Mardela Springs property tax revenue resulting from a higher interest rate on overdue taxes. Expenditures would not be affected.

Small Business Effect: Minimal.

Analysis

Current Law: Specified counties (charter counties) and municipal corporations are authorized to set, by law, an interest rate for each month, or fraction of a month, for overdue property taxes.

Background: Mardela Springs, located in Wicomico County, has a population of 360 residents. In fiscal 2005, the town collected \$28,000 in local property taxes and \$61,400

in total revenues. The town's fiscal 2007 real property tax rate is \$0.20 per \$100 of assessment.

The State Department of Assessments and Taxation indicates that there are 215 properties within the town. **Exhibit 1** shows the estimated assessable base and corresponding homestead tax credit base loss for fiscal 2007 and 2008.

Exhibit 1
Municipal Assessable Base in Mardela Springs
Fiscal 2007 and 2008

<u>Fiscal</u>	<u>Municipal Assessable Base</u>	<u>Homestead Tax Credits</u>
2007	\$13.7 million	\$0.7 million
2008	\$14.8 million	\$0.6 million

Local Fiscal Effect: The current interest rate on late municipal property tax payments in Mardela Springs is 0.5%. The town indicates that by increasing the interest rate to 1% would put the town in line with other municipal finance charges and penalties imposed in other municipalities in Maryland. Wicomico County imposes a 1% interest rate and a 0.5% penalty on overdue county property taxes.

There are currently 22 properties within the town for which property taxes have not been paid; the town advises that this number is consistent with previous years. Ten property owners paid their taxes in January, after the December 31 payment deadline. The town indicates that it would like to increase the interest rate on overdue property tax payments as a means of encouraging more people to pay their property taxes on time. Additional revenues received from the increased rate would cover the cost of sending multiple notices to delinquent taxpayers and notifying the county of late payments and tax sales.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Property Tax Assessment Appeals Board, Department of Legislative Services

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ncs/hlb

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510