

# HOUSE BILL 428

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By: **Delegates Elliott, Bates, Boteler, Bromwell, Eckardt, Haddaway, Healey, Impallaria, King, Kipke, Krebs, Mathias, McComas, McDonough, Minnick, O'Donnell, Olszewski, Robinson, Schuh, Shewell, Stocksdales, Stull, Weir, and Weldon**

Introduced and read first time: February 3, 2009

Assigned to: Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

2 **Property Tax – Semiannual Payment Schedule – Small Business Property**

3 FOR the purpose of requiring the governing body of a county or the governing body of  
4 a municipal corporation to provide a semiannual payment schedule for State,  
5 county, municipal corporation, and special taxing district property taxes on  
6 certain real property; defining a certain term; providing for the application of  
7 this Act; and generally relating to a semiannual property tax payment schedule  
8 for certain real property.

9 BY repealing and reenacting, with amendments,  
10 Article – Tax – Property  
11 Section 10–204.3  
12 Annotated Code of Maryland  
13 (2007 Replacement Volume and 2008 Supplement)

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

16 **Article – Tax – Property**

17 10–204.3.

18 (a) (1) In this [section, “owner–occupied] **SECTION THE FOLLOWING**  
19 **WORDS HAVE THE MEANINGS INDICATED.**

20 (2) **“OWNER–OCCUPIED residential property”** means the principal  
21 residence of a homeowner as defined in § 9–105 of this article.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1           (3)    **“SMALL BUSINESS PROPERTY” MEANS REAL PROPERTY:**

2                    (I)    **THAT HAS BEEN ASSIGNED A COMMERCIAL USE CODE BY**  
3 **THE DEPARTMENT; AND**

4                    (II)   **FOR WHICH THE TOTAL STATE, COUNTY, MUNICIPAL**  
5 **CORPORATION, AND SPECIAL TAXING DISTRICT PROPERTY TAXES FOR THE**  
6 **TAXABLE YEAR DO NOT EXCEED \$50,000.**

7           (b)    Notwithstanding Subtitle 1 of this title:

8                    (1)    the governing body of a county shall provide a semiannual  
9 payment schedule for State, county, and special taxing district property taxes due on  
10 owner-occupied residential property **OR SMALL BUSINESS PROPERTY**; and

11                   (2)    the governing body of a municipal corporation shall provide a  
12 semiannual payment schedule for municipal corporation and special taxing district  
13 property taxes due on owner-occupied residential property **OR SMALL BUSINESS**  
14 **PROPERTY.**

15           (c)    A semiannual payment schedule under this section shall apply:

16                    (1)    at the time of the transfer of property purchased on or after July 1,  
17 2000; and

18                    (2)    to any current or future owner of owner-occupied residential  
19 property **OR SMALL BUSINESS PROPERTY**, regardless of whether the property was  
20 purchased before July 1, 2000.

21           (d)    (1)    The semiannual payment schedule under this section shall apply  
22 to:

23                    (i)    the property tax due for the tax year following transfer of  
24 the property; and

25                    (ii)   the property tax due and not in arrears for the current tax  
26 year for any transfer occurring on or after July 1 but on or before September 30.

27                    (2)    The first installment of a semiannual payment shall be paid on or  
28 before September 30.

29           (e)    A semiannual payment schedule may include a service charge to be paid  
30 with the second installment.

31           (f)    A service charge:

32                    (1)    shall be:

1 (i) adopted by the taxing authority that collects the property  
2 taxes after obtaining the prior approval of the amount of the service charge from the  
3 Department, as part of adoption of the property tax rate under §§ 6–301 through  
4 6–303 of this article;

5 (ii) applicable to all property tax being collected by the taxing  
6 authority on the semiannual payment schedule for itself and for any other taxing  
7 authority;

8 (iii) expressed as a percent of the amount of tax due at the  
9 second installment and shown on the tax bill as a percent and actual dollar amount  
10 charged; and

11 (iv) calculated in an amount:

12 1. reasonably equivalent to the anticipated lost interest  
13 income associated with the 3–month delay in payment of the second installment by  
14 multiplying the amount of the second installment by a rate not exceeding 1.5%; and

15 2. covering administrative expenses associated with the  
16 semiannual payment not exceeding the lesser of the actual expenses incurred in the  
17 preceding fiscal year per semiannual tax account as approved by the State  
18 Department of Assessments and Taxation or 10% of the charge for the anticipated lost  
19 interest income as calculated in item 1 of this item;

20 (2) does not apply if both installments of property tax are paid on or  
21 before September 30 of the taxable year; and

22 (3) may not be considered to be a property tax for the purposes of any  
23 provision of a local law or charter that limits the property tax rate or property tax  
24 revenues.

25 (g) The local taxing authority shall provide to the Department by May 1 of  
26 each year, information that substantiates that the proposed service charge for the  
27 anticipated lost interest is reasonably equivalent to the amount of interest that will be  
28 lost as a result of the semiannual payment.

29 (h) (1) The property tax bill under a semiannual payment schedule:

30 (i) shall state:

31 1. the amount of the tax due if paid in full, including any  
32 applicable discounts for early payment;

33 2. the amount of the tax due if paid in semiannual  
34 installments, including any applicable discounts for early payment of the first  
35 installment;

1                   3.     the amount of any service charge to be paid with the  
2 second installment unless the second installment is paid on or before September 30 of  
3 the taxable year;

4                   4.     that the service charge does not apply if both  
5 installments are paid on or before September 30 of the taxable year; and

6                   5.     the date the tax payment is due; and

7                   (ii) shall be subject to approval by the Department of  
8 Assessments and Taxation.

9                   (2)    The Department shall approve any local semiannual payment  
10 schedule collection that:

11                   (i)    provides efficient and cost-effective collection of taxes; and

12                   (ii)   provides two semiannual coupons, two semiannual billing  
13 forms, or a similar method that allows taxpayers to pay on a semiannual basis.

14                   (3)    Local semiannual payment schedule collection systems that are not  
15 approved by the Department shall utilize 2 semiannual payment coupons that shall be  
16 submitted with the appropriate payment.

17                   (i)    A payment under a semiannual schedule:

18                   (1)    for the first installment:

19                   (i)    is due on July 1 of the tax year; and

20                   (ii)   may be paid without interest on or before September 30 of  
21 the tax year; and

22                   (2)    for the second installment:

23                   (i)    is due on December 1 of the tax year;

24                   (ii)   except for the service charge, may be paid without interest  
25 on or before December 31 of the tax year; and

26                   (iii)  may be prepaid without the service charge or interest on or  
27 before September 30 of the tax year.

28                   (j)    (1)    If an escrow account is established for the payment of the property  
29 tax, the escrow account servicer shall pay tax in semiannual installments unless the  
30 escrow account servicer has received written direction from the property owner or  
31 borrower to pay property tax in annual payments.

1           (2) If a taxpayer provides written direction to an escrow account  
2 servicer at least 60 days prior to the beginning of the tax year, property taxes shall be  
3 paid on an annual payment basis on behalf of that taxpayer by the escrow account  
4 servicer in the tax year that begins immediately following the year in which the  
5 written direction was received.

6           (3) If a taxpayer provides written direction to an escrow account  
7 servicer less than 60 days prior to the beginning of the tax year, property taxes may be  
8 paid on an annual payment basis on behalf of that taxpayer by the escrow account  
9 servicer in the tax year that begins immediately following the year in which the  
10 written direction was received.

11           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
12 October 1, 2009, and shall be applicable to all taxable years beginning after June 30,  
13 2010.