

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 538

(Senator Zirkin)

Budget and Taxation

Ways and Means

Property Tax Assessment - Home Improvements

This bill alters one of the State's property revaluation criteria by specifying that substantially completed improvements to real property that add \$100,000 in value to a dwelling trigger a real property revaluation. Under current law, substantially completed improvements that add at least \$50,000 in value to a dwelling trigger a revaluation.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: Potential decrease in State property tax revenues. Expenditures are not affected.

Local Effect: Potential decrease in local property tax revenues. Expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law/Background: Real property is valued and assessed once every three years. This approach, the triennial assessment process, was part of major property tax reform established in 1979. Under this process, assessors from the State Department of Assessments and Taxation (SDAT) are required to physically inspect each property every three years. However, in practice, due to having significantly fewer assessors than necessary, not every property receives a physical inspection once every three years. No adjustments are made in the interim, except in the case of (1) a zoning change; (2) a substantial change in property use; (3) substantially completed improvements which

add at least \$50,000 in value to the property; or (4) a prior erroneous assessment. The assessor determines the current “full market value” of the property and any increase in value is phased in over a three-year period.

State Fiscal Effect: The bill may have the potential to reduce the amount of property tax revenues that are collected. To the extent that the revaluation takes place in a subsequent fiscal year as opposed to when it would take place under current law, revenues for the current fiscal year will decrease. The number of times that this may occur in any year cannot be determined.

SDAT currently receives each building permit issued by a local government and, to the extent the permit is for an improvement over \$50,000, the property is supposed to be reassessed. However, SDAT has indicated, that in recent practice due to having fewer assessors, the department is challenged to revalue residential property when any substantial improvements are made. Most of these improvements are picked up during the course of the regular reassessment process, rather than during any off-cycle reassessments.

As a point of reference, **Exhibit 1** shows the number of accounts and the increased value added to the assessment rolls for new construction additions for fiscal years 2007 through 2009. It is important to note however, that this includes new home as well as properties with substantial improvements.

Local Fiscal Effect: The bill may alter the collection of local property tax revenues in the same manner discussed above.

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

Fiscal Note History: First Reader - March 9, 2009
mam/hlb Revised - Senate Third Reader - April 10, 2009

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Exhibit 1
New Construction Additions
Fiscal 2007-2009

County	Fiscal 2007		Fiscal 2008		Fiscal 2009	
	Accounts	Value Increase	Accounts	Value Increase	Accounts	Value Increase
Allegany	6	\$471,020	11	\$847,090	9	\$581,220
Anne Arundel	347	40,200,530	227	28,111,600	315	41,054,900
Baltimore City	257	40,948,760	455	66,370,980	301	34,369,520
Baltimore	646	95,808,860	497	81,051,430	387	64,499,459
Calvert	73	8,780,710	58	7,682,030	43	5,136,130
Caroline	37	3,836,710	45	3,579,560	37	3,511,960
Carroll	164	14,966,510	189	17,918,230	129	13,900,080
Cecil	66	6,026,390	90	7,499,560	62	6,904,960
Charles	32	3,333,160	91	9,019,890	45	4,132,440
Dorchester	13	1,797,870	14	1,792,570	16	2,185,750
Frederick	187	20,250,650	193	20,362,840	112	12,813,430
Garrett	25	3,034,630	24	2,667,890	10	1,908,190
Harford	134	9,733,210	140	10,522,980	105	9,126,650
Howard	125	19,961,160	91	12,400,160	44	6,393,710
Kent	42	5,154,130	47	5,947,160	52	6,958,160
Montgomery	532	75,926,300	1,072	172,198,460	691	121,382,830
Prince George's	82	12,427,810	152	26,075,900	159	21,520,500
Queen Anne's	111	13,287,790	103	12,368,620	95	11,416,410
St. Mary's	35	4,015,250	127	13,325,210	62	7,901,620
Somerset	11	918,730	29	2,331,810	14	1,503,690
Talbot	108	15,764,660	93	13,171,420	90	15,044,200
Washington	60	6,070,990	80	6,521,250	64	6,514,460
Wicomico	42	3,493,190	31	2,976,400	31	2,736,260
Worcester	60	6,890,130	69	7,418,290	51	5,859,960
Total	3,195	\$413,099,150	3,928	\$532,161,330	2,924	\$407,356,489

Source: State Department of Assessments and Taxation