

Department of Legislative Services
 Maryland General Assembly
 2010 Session

FISCAL AND POLICY NOTE

House Bill 1216 (Delegate Ramirez, *et al.*)
 Ways and Means

Property Tax Assessment Appeal Boards - Value at Appeal

This bill authorizes a person appealing a property tax assessment before a Property Tax Assessment Appeals Board (PTAAB) to present evidence reflecting the value of the property as of the date of the hearing. In determining the value of property on appeal, PTAAB must consider evidence presented as to the value of the property as of the date of the hearing.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: General fund expenditures increase by \$299,800 in FY 2011. Future years reflect annualization and inflation. Revenues are not affected.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	299,800	395,400	415,000	435,800	457,600
Net Effect	(\$299,800)	(\$395,400)	(\$415,000)	(\$435,800)	(\$457,600)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: For a hearing before the Property Tax Assessment Appeals Board, the person making the appeal may submit a written request to the supervisor, at least 15 days

before the hearing, for a list of other properties that will be used as comparables (similar properties) by the supervisor at the scheduled hearing. The supervisor must supply the requested list at least 30 days before the date that the hearing has been scheduled in response to a written request made at least 35 days before the hearing or within 5 days from a request made between 35 days and 15 days before the hearing.

If the supervisor is going to use the information in the appeal, the list must also include for each property on the list: (1) the sale price and date of sale; (2) the assessment and the year or years to which the assessment applied; and (3) the construction costs and the date of construction. The State Department of Assessments and Taxation (SDAT) is authorized to charge a reasonable fee for copies of the information sent.

Background: The following is a discussion on how property tax assessments are conducted and the assessment appeals process in Maryland.

Triennial Assessment Process in Maryland

Under current law, 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 SDAT physically inspect each property 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) extensive improvements 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. Any decrease, however, is recognized immediately for assessment purposes.

Assessment Appeals Process

There are three levels in the appeals process that property owners may pursue when appealing a property tax assessment. The first appeal of an assessment goes to SDAT, which determines the original assessment. To the extent a property owner receives an unsatisfactory ruling he or she may appeal to PTAABs, which hear appeals in matters relating to the assessment of property throughout the State. There is one board located in each county and Baltimore City. Each board has four members (three members and one alternate) who are appointed by the Governor for five-year terms. Further appeals may be made to the Maryland Tax Court.

PTAABs heard 61% of their cases in calendar 2008, as shown in **Exhibit 1** due to a marked increase in the number of appeals filed in calendar 2008 as compared to 2007. According to the boards, the backlog of cases was due to increased appeals and board member vacancies.

Exhibit 1
Timeliness and Efficiency Measures
Calendar 2007-2011

	Actual <u>2007</u>	Actual <u>2008</u>	Est. <u>2009</u>	Est. <u>2010</u>	Est. <u>2011</u>
Appeals Filed	8,963	14,062	19,000	16,000	15,500
Appeals Heard	7,281	8,618	12,000	13,500	13,500
Clearance Rate	81%	61%	63%	84%	87%
Number of Appeals Pending at Year-end	4,000	5,993	7,500	7,000	6,500

Source: Property Tax Assessment Appeals Boards

State Fiscal Effect: Currently, real property assessment appeals at the SDAT level, the PTAAB level, and at the Maryland Tax Court use the disputed property's assessment at the date of finality. This is the assessment as of January 1 of the year in which assessment notices were sent to property owners. In the absence of an out-of-cycle reassessment or petition for review, this assessment stands until the next reassessment is done. This bill will allow property owners to present evidence reflecting the value of the property at the date of the hearing. This value may be different due to changes in market conditions occurring between the date of finality and the appeal hearing. As such, the bill will create different dates of finality at the various levels of appeal.

SDAT advises that the change required by the bill will add approximately 45 minutes to each of the 15,000 to 20,000 appeals that go to the PTAAB level each year, which results in approximately 15,000 additional staff hours relating to PTAAB level appeals. As a result SDAT's general fund expenditures increase by \$299,800 in fiscal 2011, which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring seven assessors to verify new valuation information and to prepare cases using the most current assessment data. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses

Salaries and Fringe Benefits	\$288,479
Operating Expenses	<u>11,358</u>
Total Fiscal 2011 State Expenditures	\$299,837

Future year expenditures reflect full salaries with 4.4% annual increases and 3% employee turnover; and 1% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Caroline and Montgomery counties; State Department of Assessments and Taxation; Property Tax Assessment Appeals Board; Maryland Tax Court; Department of Legislative Services

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mlm/hlb

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