

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 897

(Prince George's County Delegation)

Ways and Means

Budget and Taxation

Prince George's County - Property Tax - Installment Payment Schedule
PG 416-12

This bill authorizes Prince George's County to provide, by law, for an installment payment schedule of no more than six payments each year for county, municipal, and special taxing district property taxes due on owner-occupied residential property if the homeowner is at least 62 years old and the property is not subject to a deed of trust, mortgage, or other encumbrance. The county must provide for (1) any additional eligibility criteria for the installment payment schedule; (2) the process for electing an installment payment schedule; (3) the due date of each payment installment; (4) and any other provision necessary to carry out the installment payment schedule.

The bill takes effect October 1, 2012, and applies to all taxable years beginning after June 30, 2013.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County interest income from property tax payments may decrease by a minimal amount beginning in FY 2014 depending on the number of eligible homeowners who opt to pay property taxes in installments. The bill does not alter the amount of property taxes owed, but rather when they are paid.

Small Business Effect: None.

Analysis

Current Law: Property taxes for owner-occupied residential property are due under a semiannual schedule. The first installment is due on July 1 and may be paid without

interest on or before September 30. The second installment is due on December 1 and may be paid without interest on or before December 31. Local governments are authorized to impose a maximum service charge of 1.65% of the second payment to cover lost interest for the three-month delay in the tax collection and associated administrative fees. However, homeowners may elect to pay the full year's property tax on or before September 30 to avoid the service charge or interest.

Chapter 680 of 2010 required county and municipal governments to establish a semiannual payment schedule for State, county, municipal, and special taxing district property taxes for small business property with a property tax bill of \$50,000 or less. Small business property is defined as property that has a commercial use code assigned by SDAT and which has total State and local property taxes of no more than \$50,000 in a taxable year. This was amended by Chapter 593 of 2011, which required county and municipal governments to establish a semiannual payment schedule for State, county, municipal, and special taxing district property taxes for business property with a property tax bill of \$100,000 or less.

Property taxes for property other than owner-occupied residential property and specified business property are due on July 1 and may be paid without interest on or before September 30.

Background: Chapter 123 of 1995 granted taxpayers the option to pay property taxes in semiannual installments. Chapter 305 of 1999 required property owners to pay real property taxes for a principal residence in semiannual installments. However, Chapter 305 allowed homeowners the option of paying both property tax installments on or before September 30 of each year to avoid any service charge that a county may impose to recover anticipated lost interest and administrative expenses associated with the semiannual payment schedule.

Local Fiscal Effect: Prince George's County interest income may decrease by a minimal amount beginning in fiscal 2014 to the extent homeowners opt to make property tax payments in installments. The bill does not change the amount of property taxes owed by a qualifying homeowner in Prince George's County, but rather when the taxes are paid. Interest income on payments would be lost for the period after December 31 for those property tax payments received in December, as under current law.

It is not known how many homeowners in Prince George's County who are at least 62 years old and do not have a deed of trust, mortgage, or other encumbrance attached to the property, but presumably these limitations will narrow the universe of those who may be eligible for an installment payment plan. The fiscal 2013 average taxable assessment in Prince George's County totals \$184,740, resulting in an average county property tax

bill of \$2,437. This amount is based on the county property tax rate of \$1.319 per \$100 of assessment.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County, State Department of Assessments and Taxation, Department of Legislative Services

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Analysis by: Michael Sanelli

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