

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

House Bill 434
Ways and Means

(Delegate Arora, *et al.*)

Budget and Taxation

Personal Property Tax Reports - Electronic Filing

This bill requires the State Department of Assessments and Taxation (SDAT) to allow a person to electronically file a specified report and to pay a filing fee required under Section 1-203(b)(3)(ii) of the Corporations and Associations Article. A fee may be charged for each electronic filing.

The bill takes effect October 1, 2014, and applies to taxable years beginning after June 30, 2015.

Fiscal Summary

State Effect: General fund expenditures may increase by \$1.0 million in FY 2016 and by \$100,000 annually beginning in FY 2017 to the extent SDAT is unable to reach a contractual agreement with an outside vendor to allow for the electronic filing of personal property tax reports. Special fund revenues and expenditures may increase by a commensurate amount reflecting the reimbursements from local governments.

Local Effect: Local government expenditures may increase by \$1.0 million in FY 2016 and by \$100,000 annually beginning in FY 2017 to the extent SDAT is unable to reach a contractual agreement with an outside vendor to allow for the electronic filing of personal property tax reports. County revenues are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: By April 15 of each year, a business trust, statutory trust, domestic corporation, limited liability company, limited liability partnership, or limited

partnership; a foreign corporation, foreign statutory trust, foreign limited liability company, foreign limited liability partnership, or foreign limited partnership registered or qualified to do business in the State must submit a personal property tax report to SDAT. A person who owns or owned personal property in the preceding calendar year that is subject to property tax must also file a personal property tax report. The report must (1) be in the form required by the department; (2) be under oath as the department requires; and (3) contain the information that the department requires.

SDAT may require a person to submit a report that contains a list of (1) all personal property assessable by the department and all personal property assessable but not previously assessed by the department that the person possesses, cares for, or manages; and (2) the name of each person who owns an item of the personal property, if the person (1) moves personal property to any county or municipality from the county or municipality where it was assessed; (2) moves personal property from outside this State to a county or municipality inside the State; or (3) possesses, cares for, or manages any personal property that is not assessed or the department suspects is not assessed.

If a person who has filed a report determines that information was not reported accurately, the person may file an amended report within three years after the April 15 deadline that the original report was due. A person filing an amended report may only claim an exemption for personal property used in manufacturing if an exemption for personal property used in the manufacturing process was previously approved for that taxable year.

After reviewing an amended report, SDAT must (1) issue a corrected assessment notice; or (2) notify the person that the original assessment notice will not be adjusted. A person who receives a notice that an original assessment notice will not be adjusted may appeal the change in value or classification related to the corrected information or the denial notice as provided by law.

There were 309,614 personal property tax returns filed with SDAT for fiscal 2014.

Background: The Department of Information Technology (DoIT) has made efforts to expand the number of services offered on the Internet. In August 2011, the Board of Public Works approved a master contract with NICUSA, Inc. (NIC) to develop websites, online services, and secure payment processing applications for State agencies. NIC has been developing eGovernment applications for over a decade and is developing them for at least 24 states. The State is not charged for this service; NIC generates revenues by implementing commercially valuable services and pooling these revenues to support other applications. NIC advises that nonrevenue generating applications account for approximately 80% of applications. Maryland State agencies have started to develop applications with NIC, such as the Department of Business and Economic Development's Central Business Licensing and Registration portal, the Motor Vehicle Administration

Android Driver Practice Exam, and the Maryland Emergency Management Agency's Maryland Prepares.

State Fiscal Effect: SDAT is currently in negotiations with NIC for an application that allows the electronic filing of personal property tax reports as well as the payment of corporate filing fees through the existing State contract. Under the proposal, businesses will be able to electronically file personal property tax reports as well as pay required corporate filing fees. As part of the current State contract, NIC is allowed to charge a processing fee in order to recoup project costs. This same cost recovery mechanism is part of SDAT's project. DoIT indicates that, to date, SDAT has not received a proposal for the project from NIC. Should SDAT reach a contractual agreement with NIC for the electronic filing of personal property reports, State expenditures will not be affected.

However, because the bill requires SDAT to allow electronic filing of personal property tax reports, SDAT will be required to fund the cost of this proposal should the department be unable to reach a contractual agreement with NIC to provide this service. Should that happen, SDAT advises that total expenditures associated with implementing the bill will increase by \$2.0 million in fiscal 2016 and by \$200,000 annually thereafter.

This estimate of potential costs reflects updating and modifying the department's website to allow the submission and processing of personal property tax reports as well as to allow taxpayers to pay a specified filing fee. The estimate assumes approximately \$1.6 million in various development costs and \$400,000 in equipment costs. SDAT reports that annual costs of \$200,000 will be required beginning in fiscal 2017 for website maintenance and hosting charges. SDAT's website is hosted and maintained by the Center for Applied Technology at Towson University.

Chapter 397 of 2011 required the counties and Baltimore City to reimburse SDAT for (1) 90% of the costs of real property valuation; (2) 90% of the costs of business personal property valuation; and (3) 90% of the costs incurred by SDAT with regards to information technology in fiscal 2012 and 2013. Beginning in fiscal 2014, the counties and Baltimore City are required to reimburse SDAT for 50% of these costs. Local expenditures are calculated on the basis of each county's share of real property accounts and business personal property as a percentage of the total.

As a result, general fund expenditures will increase by \$1.0 million in fiscal 2016 and by \$100,000 annually thereafter. Special fund revenues and expenditures increase by a commensurate amount reflecting the reimbursements from local governments.

Local Fiscal Effect: As noted, county governments are required to reimburse SDAT for 50% of the department's property valuation and information technology costs beginning in fiscal 2015. Should SDAT reach a contractual agreement with NIC for the electronic filing of personal property reports, local expenditures will not be affected. However, to the extent that SDAT is unable to reach a contractual agreement with NIC, county

expenditures will increase by \$1.0 million in fiscal 2016 and by \$100,000 annually beginning in fiscal 2017, based on the expenditures associated with implementing the bill. **Exhibit 1** shows the estimated expenditures for each county, based on total business personal property assessable base for fiscal 2014.

Exhibit 1
Potential County Expenditure Increases under Legislation
Fiscal 2016 and 2017

County	FY 2016	FY 2017
Allegany	\$14,590	\$1,459
Anne Arundel	130,836	13,084
Baltimore City	82,466	8,247
Baltimore	138,766	13,877
Calvert	9,119	912
Caroline	3,727	373
Carroll	25,985	2,598
Cecil	18,476	1,848
Charles	55,506	5,551
Dorchester	2,062	206
Frederick	0	0
Garrett	7,137	714
Harford	42,423	4,242
Howard	75,251	7,525
Kent	0	0
Montgomery	174,448	17,445
Prince George's	134,801	13,480
Queen Anne's	0	0
St. Mary's	11,577	1,158
Somerset	2,260	226
Talbot	0	0
Washington	27,753	2,775
Wicomico	26,960	2,696
Worcester	15,859	1,586
Total	\$1,000,000	\$100,000

Source: State Department of Assessments and Taxation; Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: SB 693 (Senator King) - Budget and Taxation.

Information Source(s): State Department of Assessments and Taxation, Department of Legislative Services

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