

Department of Legislative Services

Maryland General Assembly

2016 Session

FISCAL AND POLICY NOTE

First Reader

Senate Bill 143

(Anne Arundel County Senators)

Budget and Taxation

Property Tax - Interest on Refunds

This bill alters the rate of interest that local governments must pay on property tax refunds resulting from the final determination of certain taxpayer appeals. Pursuant to the bill, the rate of interest is set equal to the historical rate of return for the county or municipality, as certified by the State Treasurer.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: None.

Local Effect: Potential significant decrease in local government expenditures for property tax refunds. Local revenues are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: On the final determination of a property tax appeal, any money paid by a taxpayer that exceeds the amount properly chargeable under the determination must be refunded at the same rate of interest that the taxes would have borne if the taxes were determined to have been overdue. County, municipal, and special taxing district interest rates on overdue taxes are two-thirds of 1% per month, unless otherwise provided by law.

Exhibit 1 outlines the statutory rate setting provision for counties and Baltimore City, as provided by the Tax-Property Article.

Exhibit 1
County Interest Rates and Rate Setting Authority
Interest Rate per Month

County	Rate Setting Authority
Allegany	Rate set by local law
Anne Arundel	Rate set by local law
Baltimore City	Rate set by local law
Baltimore	Rate set by local law
Calvert	Rate set by local law
Caroline	Rate not to exceed 1%
Carroll	2/3 of 1%
Cecil	Rate not to exceed 1%
Charles	2/3 of 1%
Dorchester	Rate set by local law
Frederick	Rate not to exceed 1%
Garrett	1%
Harford	Rate set by local law
Howard	Rate set by local law
Kent	Rate set by local law
Montgomery	Rate set by local law
Prince George's	Rate set by local law
Queen Anne's	Rate set by local law
St. Mary's	Rate set by local law
Somerset	1%
Talbot	Rate set by local law
Washington	1%
Wicomico	Rate set by local law
Worcester	Rate not to exceed 1.5%

Source: Department of Legislative Services

Background: The assessment appeal process typically begins with an appeal of the notice of assessment. These notices are mailed in late December, and an appeal may be filed with the supervisor of assessments within 45 days of the date of the notice; for properties that transfer after January 1 but before the beginning of the taxable year, the new owner has 60 days from the date of transfer to file an appeal regarding the property value or classification. Following that appeal, the property owner receives a final notice. If the

taxpayer is not satisfied with the outcome, the next appeal must be made to the Property Tax Assessment Appeals Board within 30 days from the date of the final notice. A further appeal may be taken to the Maryland Tax Court within 30 days of receiving notice from the board. Any further appeals are made through the judicial system, including the circuit court, the Court of Special Appeals, and the Court of Appeals.

Appeals of property values may also be filed with the supervisor outside of the regular assessment cycle. Appeals may also be filed by persons who have purchased property between January 1 and June 30. Such appeals must be made within 60 days of the purchase.

Local Fiscal Effect: The bill will likely reduce the amount of interest that local governments have to pay for refunds resulting from property tax assessment appeals. The amount of the decrease will vary by county and will depend on the number and amount of refunds issued each year and the historical rate of return for the county or municipality, as certified by the State Treasurer.

Anne Arundel County advises that over the past five fiscal years the county paid a 12% annual interest rate on refunds that were issued. In comparison, the county's annual rate of return for the general fund was less than 1% each year. Therefore, under the bill, Anne Arundel County will be able to reduce the interest rate it must apply to property tax refunds issued by approximately 11 percentage points each year. Based on the amount of property tax refunds issued over the previous five years (fiscal 2011 through 2015), Anne Arundel County expenditures relating to interest payments on property tax refunds will decrease by approximately \$338,800 annually.

Based on the experience in Anne Arundel County, it is assumed that county and municipal expenditures in other jurisdictions will also decrease by a significant amount.

Additional Information

Prior Introductions: None.

Cross File: HB 428 (Delegate Sophocleus) (By Request - Anne Arundel County Administration) - Ways and Means.

Information Source(s): Anne Arundel County, Maryland Association of Counties, Maryland Municipal League, Property Tax Assessment Appeals Board, 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