

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 339 (Charles County Delegation)
Ways and Means

Charles County - Property Tax Refunds - Accrual of Interest

This bill requires that, for Charles County, the interest on property tax refunds paid after a final determination of an appeal begins to accrue when the county receives notification of the final determination.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: None.

Local Effect: Charles County expenditures for property tax refunds decrease beginning in FY 2017. The amount of the decrease depends on the number of property tax appeals and the amount of interest due. 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 requires that interest on a tax refund resulting from a property tax appeal begins to accrue when Charles County receives notification of the outcome of an appeal. Charles County reports that this will reduce the amount of interest paid by the county for some property tax refunds beginning in fiscal 2017. The amount of the decrease cannot be reliably estimated and depends on the number of refunds that need to be issued for property tax assessment appeals.

The bill limits the time period in which interest must be paid from the time the State Department of Assessments and Taxation notifies the county about the outcome of an appeal until a refund is processed. The county advises that this process may take four months. Under current law, the county can be required to pay interest on a refund from the beginning of the appeals process until a refund is processed which, in some cases, may take over one year.

Charles County reports that it paid \$113,653 in property tax refunds in fiscal 2015. So far, the county has paid \$1.6 million in refunds over the first half of fiscal 2016. The fiscal 2016 refund amount includes one large refund and a prior year assessment that was also refunded.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Charles County, Property Tax Assessment Appeals Board, Department of Legislative Services

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