

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 543

(Senator Hayes)

Budget and Taxation

Property Tax – Constant Yield Tax Rate – Notice Requirements

This bill modifies specified advertising requirements that local jurisdictions must follow regarding the constant yield tax rate by establishing a separate notification requirement for jurisdictions that maintain their real property tax rate from the prior year. **The bill takes effect June 1, 2022.**

Fiscal Summary

State Effect: None.

Local Effect: None. The bill is not expected to materially affect local government finances.

Small Business Effect: None.

Analysis

Current Law: The “constant yield” is a concept that, as property values fluctuate, the tax rate would be adjusted so that the revenue derived from the property tax stays at a constant level from year to year, thus assuring a local government a constant yield from its tax source. The constant yield tax rate is the rate that, when applied to the current assessable base, yields the same property tax revenue as in the prior year. Generally, when there is growth in the real property assessable base, the constant yield tax rate is lower than the existing tax rate. The State Department of Assessments and Taxation (SDAT) notifies all counties and municipalities by February 14 of their constant yield tax rates for the upcoming fiscal year.

Chapter 239 of 2017 extended the deadline by which Baltimore City and county governments (from November 15 to March 15) and municipalities (from November 25 to March 25) must set or alter the homestead property tax credit percentage in a taxable year and then notify SDAT of any changes. Chapter 239 also authorized the department to recalculate the constant yield tax rate by April 15 if a county or municipality changes the homestead tax credit percentage. In addition, Chapter 239 required assessment notices to include a statement that the taxable assessment may change if a county or municipality changes the homestead tax credit percentage, and that the final taxable assessment will be stated on the next property tax bill.

Under the constant yield tax rate law, taxing authorities are required to (1) provide information to the public about the constant yield tax rate and the assessable base and (2) hold public hearings regarding proposals to enact a tax rate that is higher than the constant yield rate. A municipality is exempt from the requirements of the constant yield tax rate law if the difference in revenue generated by the current year's tax rate and the constant yield tax rate is less than \$25,000. If a municipality is exempt from the constant yield tax rate law, it is not required to advertise or hold public hearings on the proposed tax rate increase. The municipality may set any tax rate within the limits of its town charter. The department is required to report to the Attorney General any taxing authority that appears to have violated the requirements of this law. Violating jurisdictions must reduce their property tax rates to the constant yield level and must refund all excessive taxes that have been collected.

Information on constant yield property tax rates for county governments can be found in the [Local Government Overview](#) report. A copy of the most recent report is available on the Department of Legislative Services [website](#). In fiscal 2022, 15 jurisdictions that maintained their existing property tax rate from the prior year still exceeded the constant yield rate.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 445 (Delegate Smith) - Ways and Means.

Information Source(s): Caroline, Howard, and Prince George's counties; Maryland Association of Counties; Maryland Municipal League; Department of Legislative Services

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