

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 896
Ways and Means

(Delegate Fair, *et al.*)

Budget and Taxation

Property Tax Appeals - Commercial and Industrial Property - Fees

This bill requires property tax appeals of a commercial or industrial assessment with a value greater than \$1.0 million to be accompanied by a specified filing fee. The filing fee totals \$50 for an appeal to a Property Tax Assessment Appeals Board (PTAAB) and \$100 for an appeal to the Maryland Tax Court. If either PTAAB or the Maryland Tax Court changes the value or classification of property in favor of the appellant, the fee must be refunded.

Fiscal Summary

State Effect: State revenues increase by approximately \$96,800 annually beginning in FY 2024. Potential increase in administrative expenditures in FY 2024 to modify systems to accept electronic or digital fee payments.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Each year, the State Department of Assessments and Taxation (SDAT) is required to value one-third of all real property based on an inspection prior to the date of finality. Real property is valued and assessed once every three years. Prior to June 1, 2018, statute required that the assessments be based on a physical inspection; however, Chapter 651 of 2018 repealed the requirement that the department value all real property based on an exterior physical inspection of the real property. Instead, the department must value real property based on a review of each property in each three-year cycle. The review

by the department must include a physical inspection of a property if (1) the value of improvements to the property is being initially established; (2) the value of substantially completed improvements is being established; (3) the property is the subject of a recent sale, and the inspection is deemed necessary by the department for purposes of market analysis; (4) the property owner requests a physical inspection as part of an active appeal; (5) the department is notified by a county finance officer that a substantially completed improvement has been made that adds at least \$1.0 million in value to the property; or (6) the department determines that a physical inspection is appropriate.

In any year of a three-year cycle, real property must be revalued if any of the following factors causes a change in the value of the real property: (1) the zoning classification is changed at the initiative of the owner or anyone having an interest in the property; (2) a change in use or character occurs; (3) substantially completed improvements are made that add at least \$100,000 in value to the property; (4) an error in calculation or measurement of the real property caused the value to be erroneous; (5) a residential use assessment is terminated; or (6) a subdivision occurs.

Any increase in full cash value (market value) is phased in equally over the next three years. All property is assessed at 100% of full cash value.

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 appropriate PTAAB 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 (now the Appellate Court of Maryland), and the Court of Appeals (now the Supreme Court of Maryland).

Property Tax Assessment Appeals Board

PTAAB is an independent agency that considers appeals related to the assessment of property in the State. There are boards in each county and in Baltimore City that hear appeals regarding assessments of real property conducted by SDAT and tax credits. Each board (made up of three members plus one to three alternates) is appointed by the Governor and is provided staff support through an administrative office in Hagerstown. Subsequent appeals are referred to the Maryland Tax Court and the circuit courts.

Maryland Tax Court

The Maryland Tax Court is the final administrative appeals entity for decisions of the Comptroller, local property tax assessment appeals boards, and local tax collectors. The court is composed of five judges appointed by the Governor for six-year terms.

State Revenues: State revenues increase by approximately \$96,800 annually beginning in fiscal 2024. The estimate is based on a review of commercial and industrial appeals with assessments valued at \$1.0 million or more for the past four years by SDAT and the Maryland Tax Court, including:

- on average, there were 2,414 appeals filed at the PTAAB (\$50 fee);
- on average, there were 393 appeals filed at the Maryland Tax Court (\$100 fee);
- approximately 33% of appeals to PTAAB resulted in a change of value or classification in favor of the appellant; and
- approximately 59% of appeals to the Maryland Tax Court resulted in a change of value or classification in favor of the appellant.

State Expenditures: The Maryland Tax Court advises that currently the court only has a checking account for certain accounts receivable. To the extent that credit card payments or other digital payment method are needed under the bill, technological and/or special equipment expenditures would be needed to meet those needs.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 885 (Senator Rosapepe) - Rules.

Information Source(s): Charles and Garrett counties; Office of the Attorney General; Maryland Tax Court; State Department of Assessments and Taxation; Department of Legislative Services

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