

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 20

(Chair, Ways and Means Committee)(By Request -
Departmental - Assessments and Taxation)

Ways and Means

Real Property Assessments – Revaluation of Property on Transfer After Appeal

This departmental bill adds another criterion that will trigger the mid-cycle reassessment of a property by the State Department of Assessments and Taxation (SDAT). Specifically, a property will require a mid-cycle reassessment when the property transfers for a purchase price that is higher than an assessment that was appealed within the prior 12 months. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: Minimal. SDAT advises that the bill will have a minimal operational impact on the department due to a limited number of properties that are estimated to be affected each year. State property tax revenues may increase by a minimal amount beginning in FY 2025 as a result of reassessments.

Local Effect: Potential minimal increase in local property tax revenues beginning in FY 2025 due to reassessments. Expenditures are not affected.

Small Business Effect: SDAT has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law: Each year, 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a physical inspection; however, Chapter 651 of 2018 repealed the requirement that the department value all real property based on an exterior physical inspection of the real property.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.

Background: Currently, when an assessment is lowered on appeal and then sold at a price that is higher than the pre-appealed assessment, a revaluation of the property may not occur for up to three years, depending on where the property is in its assessment cycle. As a result, it could be too late to make an adjustment if the property had been undervalued during those years, which could result in lost State and local property tax revenue. The bill would allow SDAT to reevaluate the assessments under these circumstances and consider an inconsistent sale price as soon as possible to ensure the assessment is accurate and up to date.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced in the past three years.

Designated Cross File: SB 263 (Chair, Budget and Taxation Committee)(By Request - Departmental - Assessments and Taxation) - Budget and Taxation.

Information Source(s): Allegany, Harford, and Montgomery counties; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - January 16, 2024
rh/hlb

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Real Property Assessments – Revaluation of Property on Transfer After Appeal

BILL NUMBER: HB0020

PREPARED BY: Bob Yeager

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS