

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 276

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

Budget and Taxation

**Property Tax - Submission of Building Permits to Supervisor of Assessments -
Estimated Construction Cost**

This departmental bill requires county permit offices to include the estimated cost of construction when submitting a copy of a building permit to the State Department of Assessments and Taxation (SDAT). **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: None. The bill does not significantly affect the operations or finances of SDAT.

Local Effect: Minimal. A survey of local governments indicates that many jurisdictions currently provide or can provide, construction cost estimates to SDAT as part of the permitting process, as discussed below.

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: The person responsible for issuing building permits must submit a copy of the building permit to the supervisor of the county where the building is located after issuing a building permit.

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to June 1, 2018, statute required that the assessments be based on a physical inspection; however, Chapter 651 of 2018 repealed the requirement that the department value all real property based on an exterior physical inspection of the real property.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: SDAT uses building permit notices to adjust property assessments to include the value of any improvements. County permit offices regularly, but not consistently, provide an estimated cost of the construction based on the permit information.

This bill would assist SDAT's real property assessors in determining the valuation of a property improvement more accurately. This will help to ensure a consistent process, which then supports more accurate assessments by improving the valuation of improvements.

Local Fiscal Effect: A survey of local governments indicates that many jurisdictions currently provide, or can provide, construction cost data to SDAT as part of the permitting process. Baltimore City, Washington and Worcester counties currently provide construction cost data for SDAT when submitting building permit data to the department. The City of Frederick provides this data to Frederick County, which provides the data to SDAT. The City of Havre de Grace collects construction cost data for building permits and will be able to provide this data to SDAT as required by the bill.

However, Montgomery County indicates that it is unknown if the requirements of the bill will increase workload for permitting staff.

Additional Information

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

Designated Cross File: HB 35 (Chair, Ways and Means Committee)(By Request - Departmental - Assessments and Taxation) - Ways and Means.

Information Source(s): Baltimore City; Montgomery, Washington, and Worcester counties; cities of Frederick and Havre de Grace; State Department of Assessments and Taxation; Department of Legislative Services

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

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Property Tax – Submission of Building Permits to Supervisor of Assessments – Estimated Construction Cost

BILL NUMBER: SB0276

PREPARED BY: Bob Yeager

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

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