SB 735

Department of Legislative Services

Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 735 (Senator King)
Budget and Taxation

Property Tax - Petition to Review Value of Commercial Real Property

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This bill authorizes counties and municipalities to submit a specified petition for review to appeal the value of commercial real property located in the county or municipality that is sold to a new owner if the total sales price of the property is 20% or more than the total sales price when the property was previously sold. The State Department of Assessments and Taxation (SDAT) must adopt regulations to carry out the provisions of the bill.

Fiscal Summary

State Effect: Potential increase in Annuity Bond Fund (ABF) revenues to the extent local governments request petitions to review commercial property values and the reviews lead to increased commercial property tax assessments. Potential general fund expenditure increase for SDAT and Property Tax Assessment Appeals Boards (PTAAB) to the extent local governments request additional petitions to review commercial property tax values.

Local Effect: Potential increase in county and municipal property tax revenues to the extent there are petitions to review certain commercial real property values and the reviews lead to increased commercial property tax assessments. Local expenditures are not directly affected.

Small Business Effect: Minimal.

Analysis

Current Law: A taxpayer may appeal the value or classification of the real property by submitting a petition for review to the supervisor on or before the date of finality for the next taxable year. Local governments are not authorized to appeal a value or classification of commercial real property.

Under current law any taxpayer may bring a petition relating to a property tax appeal before the Maryland Tax Court. The taxpayer does not need to hold a legal interest in the property in order to file a property tax appeal. This long-held view, which is based on *Samet v. Supervisor of Assessments*, enables any taxpayer to file an appeal if they believe that someone's property is not being assessed adequately and thereby not paying a fair share of property taxes.

Property Tax Assessments and Appeals

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.

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 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 Appellate Court of Maryland, and the Supreme Court of Maryland.

State Revenues: ABF revenues may increase beginning in fiscal 2027 to the extent local governments request petitions to review commercial property values and the reviews lead to increased commercial property assessments. The amount of any ABF revenue increase cannot be reliably estimated and depends on the number of petitions to review that occur in each year, the final determination of the reviews, and the new taxable assessment for properties resulting from the reviews.

State Expenditures: PTAAB advises that the bill provides an additional method by which a commercial property tax assessment may be appealed. To the extent commercial markets see frequent sales with large price changes, especially in volatile commercial markets, this could substantially increase filings to PTAAB thereby increasing the number of hearings PTAAB must schedule and adjudicate.

SDAT did not provide information for inclusion in this fiscal and policy note. However, the Department of Legislative Services advises that an increase in the number of petitions for review of commercial property could impact SDAT in the same manner as PTAAB.

Local Fiscal Effect: The bill allows county and municipal governments to request a petition to review the value of a commercial property if the property is sold to a new owner and the total sales price of the property is 20% or more than the total sales price when the property was previously sold. As a result, county and municipal property tax revenues may increase beginning in fiscal 2027 to the extent local governments request petitions to review commercial property values and the reviews lead to increased commercial property assessments. The amount of any property tax increase cannot be reliably estimated and depends on the number of petitions to review that occur in each year, the final determination of the reviews, and the new taxable assessment for properties resulting from the reviews.

Additional Information

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

Designated Cross File: HB 1088 (Delegate Spiegel) - Ways and Means.

Information Source(s): Anne Arundel, Montgomery, and Prince George's counties; Maryland Association of Counties; Maryland Municipal League; Property Tax Assessment Appeals Board; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 22, 2026
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