

E80E Property Tax Assessment Appeals Boards

Program Description

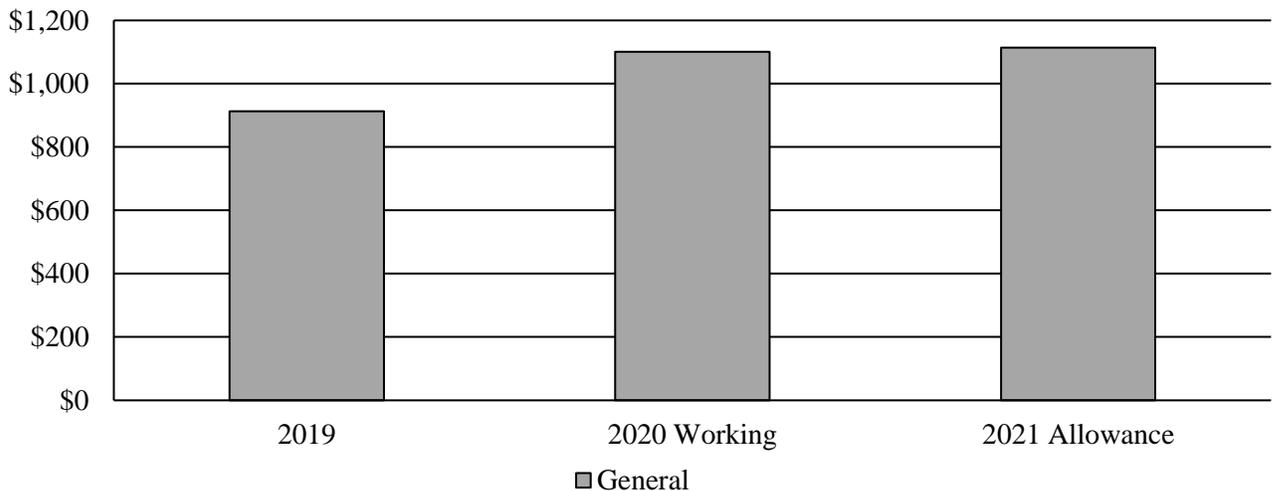
The Property Tax Assessment Appeals Boards (PTAAB) is an independent agency which hears appeals related to the assessment of property in the State of Maryland. There are 24 boards – 1 in each county and Baltimore City – all of which are supported by a central office and executive director. Each board has four to six members (three members and one to three alternates) who are appointed by the Governor for five-year terms. The first level of assessment appeals is conducted by the State Department of Assessments and Taxation (SDAT), which also makes the initial property tax assessments. PTAAB hears appeals from the SDAT decisions; PTAAB decisions can then be appealed to the Maryland Tax Court (MTC). Further appeals may be made through the judicial system at the circuit court level.

PTAAB has the following goals:

- to conduct appeals in a timely and efficient manner; and
- to render fair and accurate decisions.

Operating Budget Summary

Budget Increases \$13,343 or 1.2% to \$1.1 Million in Fiscal 2021 (\$ in Thousands)

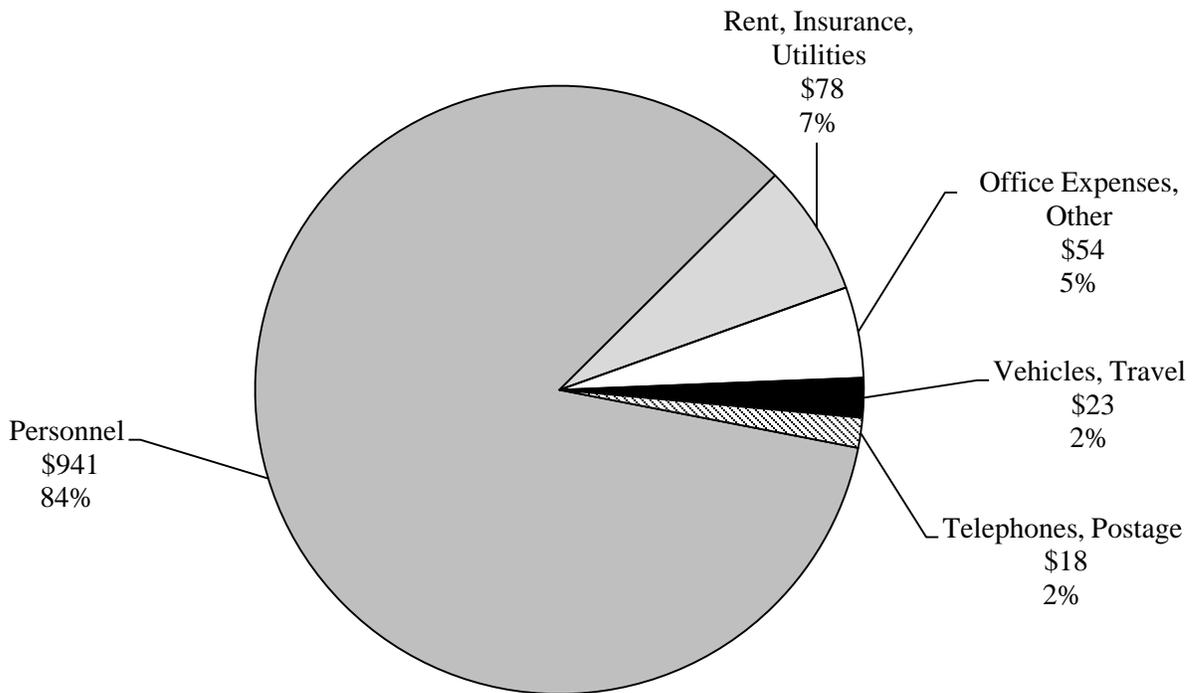


Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

Fiscal 2021 Overview of Agency Spending

Overall, PTAAB spending is quite consistent from year to year. As **Exhibit 1** illustrates, 84%, or \$941,000, of the agency’s \$1.1 million allowance is allocated for personnel in fiscal 2021. Other than rent, insurance, and utilities (7%), the remaining 9% of the allowance, approximately \$95,000, provides for various office expenses, computer equipment, and travel costs. This includes \$23,000 for motor vehicle expenses and travel duties as the administrator trains local board members throughout the State.

Exhibit 1
Overview of Agency Spending
Fiscal 2021 Allowance
(\$ in Thousands)



Source: Department of Legislative Services

Proposed Budget Change

Exhibit 2 details the agency’s budget change that amounts to just over \$13,000 in fiscal 2021. This 1.2% change is primarily attributable to increases in shared State service fees and salary enhancements for State employees in fiscal 2020 and 2021.

**Exhibit 2
Proposed Budget
Property Tax Assessment Appeals Board
(\$ in Thousands)**

How Much It Grows:	<u>General Fund</u>	<u>Total</u>
Fiscal 2019 Actual	\$913	\$913
Fiscal 2020 Working Appropriation	1,101	1,101
Fiscal 2021 Allowance	<u>1,114</u>	<u>1,114</u>
Fiscal 2020-2021 Amount Change	\$13	\$13
Fiscal 2020-2021 Percent Change	1.2%	1.2%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Employee retirement system.....	\$5
Fiscal 2021 2% cost-of-living adjustment (COLA) effective January 1, 2021.....	5
Regular earnings	5
Net annualization of fiscal 2020 COLA	1
Other fringe benefit adjustments.....	-5
Employee and retiree health insurance premiums	-14
Other Changes	
Statewide service allocations and other fees.....	13
Computer and data processing equipment	2
Rent.....	1
In-state travel and motor vehicle costs for the administrator.....	1
Office supplies and other	-1
Total	\$13

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

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- While the agency budget changes little from year to year, in fiscal 2019, the board reverted nearly \$140,000 in board member salaries because they did not sit – and therefore adjudicate cases – as often as expected. These board member issues are discussed further in the Key Observations section of this analysis.

Personnel Data

	<u>FY 19</u> <u>Actual</u>	<u>FY 20</u> <u>Working</u>	<u>FY 21</u> <u>Allowance</u>	<u>FY 20-21</u> <u>Change</u>
Regular Positions	8.00	8.00	8.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	8.00	8.00	8.00	0.00

Vacancy Data: Regular Positions

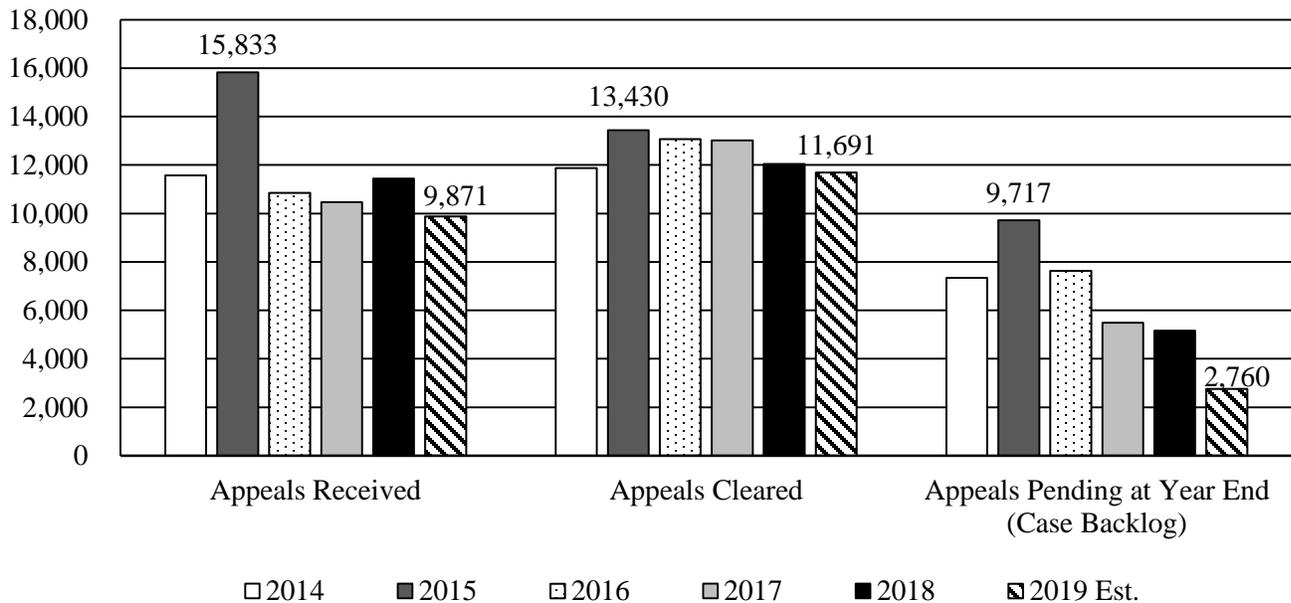
Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/19	n/a	n/a
Vacancies Above (Below) Turnover	n/a	

Key Observations

1. PTAAB Caseloads Decline; Appeals Backlog Successfully Reduced by 72%

One of the primary goals of PTAAB is to conduct appeals in a timely and efficient fashion. As **Exhibit 3** illustrates, agency appeal caseloads peaked in calendar 2015 due to an influx of cases from Baltimore City. Since then, the total number of appeals received has decreased by 38%, and appeals cleared have decreased by 13%. More importantly, PTAAB’s clearance rate increased 40%. As a result, the agency backlog continues to decrease. While the appeals backlog was nearly 10,000 cases in calendar 2015, it has since decreased to just 2,760 – an extremely significant 72% decline. This overwhelming caseload backlog was reduced via expanded cooperation with SDAT and local boards, particularly in Baltimore City, as more cases were either settled or withdrawn – leading to the lowest backlog total since at least 2011.

Exhibit 3
Agency Caseload and Backlog
Calendar 2014-2019 Est.



Source: Department of Budget and Management

Appeals to MTC

In terms of performance measures, PTAAB’s second primary goal is to render fair and accurate decisions at its hearings. Therefore, the agency’s goal is have less than 10% of its decisions appealed to MTC. As depicted in **Exhibit 4**, an estimated 10% of its decisions were appealed to MTC in calendar 2019, down from 12% in calendar 2018. Overall, appeals to MTC have ranged from 7% to 12% since calendar 2014. Another performance measure is the percentage of PTAAB decisions that are reversed by MTC. In calendar 2015, the relative case peak year, 33% of PTAAB appeal decisions were reversed. In calendar 2019, the reversal rate is just 10%, a substantial decline of 23 percentage points.

Exhibit 4
Appeals of PTAAB Decisions to the Maryland Tax Court
Calendar 2014-2019

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Appeals Filed with Tax Court	10%	7%	10%	9%	12%	10%
Appeals Reversed by Tax Court	11%	33%	22%	23%	7%	10%

PTAAB: Property Tax Assessment Appeals Boards

Source: Department of Budget and Management

2. Appeals Board Member Issues and Hearing Postponements

In each of Maryland’s 24 jurisdictions, a local property tax assessment appeals board adjudicates all appeals in its area concerning property tax assessments, the Homeowners’ Tax Credit Program, the Renters’ Tax Credit Program, the Agricultural Land Preservation Easement Program, and other local tax matters assigned to the board for hearing. Additionally, each board is composed of four to six citizens from each county (three members and one to three alternates) who are recommended by local government and appointed by the Governor for a five-year term. The Governor names each chair.

Exhibit 5 shows select caseload data for each property tax assessment appeals board in the State. Overall, the most populated jurisdictions, including Baltimore City and Prince George’s County, tend to have a much higher number of pending cases before the boards. While the board selection process works, there have been a variety of issues with board member preparation and pay. First, local board members are private citizens and can, in some cases, be underprepared for hearings. They receive \$30 an hour (up from \$25) for their time and are not held to their position; if a member secures other employment or if their current employment interferes with the hearing schedule, they may miss hearings or leave the board entirely.

Exhibit 5
Select Caseload Data by County
Calendar 2019

<u>Jurisdiction</u>	<u>Heard</u>	<u>Dismissed</u>	<u>Withdrawn</u>	<u>Settled</u>	<u>Pending</u>
Allegany	15	0	6	0	3
Anne Arundel	713	36	180	18	29
Baltimore City	1,155	143	176	2,623	706
Baltimore County	1,024	51	134	57	386
Calvert	31	3	26	0	16
Caroline	29	5	1	0	0
Carroll	46	6	9	3	0
Cecil	58	4	6	2	2
Charles	103	9	67	3	101
Dorchester	15	1	0	0	3
Frederick	108	11	48	12	0
Garrett	11	0	4	0	2
Harford	71	6	15	3	0
Howard	290	9	47	2	31
Kent	21	3	9	10	1
Montgomery	1,372	29	259	123	84
Prince George's	1,141	55	515	332	988
Queen Anne's	28	2	8	12	1
St. Mary's	38	2	16	5	11
Somerset	1	0	1	3	8
Talbot	13	0	18	13	0
Washington	395	8	62	0	16
Wicomico	19	0	3	0	6
Worcester	47	5	24	3	72
2018 and Earlier Pending Cases	n/a	n/a	n/a	n/a	294
Total	6,744	388	1,634	3,224	2,760

Source: Property Tax Assessment Appeals Boards

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PTAAB reports that in the five largest counties, hearing backlogs are the largest due to these issues. Whenever board members are absent or alternates cannot attend in their place, hearings are postponed, contributing to the case backlog. While in some cases board members are using shared Google calendars to ensure that everyone is aware of the schedule, the process, recruiting, awareness of board member openings, and training continue to be a concern. The PTAAB administrator often travels to counties to conduct trainings and facilitate operations but cannot control activity within each board. Currently, nine jurisdictions (Allegany, Calvert, Caroline, Cecil, Dorchester, Frederick, Garrett, Washington, and Worcester counties) have chairperson vacancies, and three jurisdictions (Howard and Montgomery counties and Baltimore City) will have new chair vacancies in calendar 2020. Additionally, PTAAB itself only has 1 administrator and an executive associate who handle agency operations, with a clerk in each of the agency's local offices in the five largest counties.

Hearing Postponements Slow the Adjudication Process

One of the reasons why PTAAB had sustained a considerable case backlog over the years was due to the fact that commercial real estate litigants have slowed the process down. Lawyers for commercial real estate organizations are compensated for the time spent on each case. They typically receive a percentage of half of the first year's tax savings including any interest paid to the property owner by local jurisdictions for any delay in refunds; overall, these additional payments can be as high as 18%.

Finally, SDAT has had issues in terms of having enough property tax assessors available, which means that the agency can postpone hearings twice. As postponements result in fewer hearings, PTAAB has had to revert board members' unused salary funding. **PTAAB should comment on its needs/concerns in terms of reducing board scheduling conflicts, any need for additional office personnel, and whether any modifications in rules or procedures could assist State agencies in hearing cases in a timely fashion.**

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

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**Appendix 1
Audit Findings**

Audit Period for Last Audit:	November 12, 2015 – March 24, 2019
Issue Date:	January 2020
Number of Findings:	1
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

Finding 1: Adequate procedures were not in place to ensure the propriety of work hours recorded in the Statewide Personnel System for local board members.

**Appendix 2
Object/Fund Difference Report
Property Tax Assessment Appeals Board**

<u>Object/Fund</u>	<u>FY 19 Actual</u>	<u>FY 20 Working Appropriation</u>	<u>FY 21 Allowance</u>	<u>FY 20 - FY 21 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	8.00	8.00	8.00	0.00	0%
Total Positions	8.00	8.00	8.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 765,673	\$ 943,168	\$ 934,477	-\$ 8,691	-0.9%
02 Technical and Special Fees	0	210	210	0	0%
03 Communication	17,438	16,920	17,701	781	4.6%
04 Travel	13,135	12,838	13,600	762	5.9%
06 Fuel and Utilities	863	728	896	168	23.1%
07 Motor Vehicles	8,044	9,774	9,812	38	0.4%
08 Contractual Services	24,756	32,045	44,535	12,490	39.0%
09 Supplies and Materials	2,865	5,000	3,538	-1,462	-29.2%
10 Equipment – Replacement	0	3,404	5,563	2,159	63.4%
13 Fixed Charges	79,964	75,938	77,073	1,135	1.5%
Total Objects	\$ 912,738	\$ 1,100,025	\$ 1,107,405	\$ 7,380	0.7%
Funds					
01 General Fund	\$ 912,738	\$ 1,100,025	\$ 1,107,405	\$ 7,380	0.7%
Total Funds	\$ 912,738	\$ 1,100,025	\$ 1,107,405	\$ 7,380	0.7%

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.