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MAYOR

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HB 1252

February 27, 2020

TO: Members of the Ways & Means Committee
FROM: Matthew Stegman, Deputy Director of Government Relations
RE: HOUSE BILL 1252 - Property Tax - Appeals of Assessments -
Commercial Real Property

POSITION: SUPPORT

Chair Kaiser, Vice-Chair Washington, and Members of the Committee, the Baltimore City Administration (BCA) wishes to express our **support** for House Bill (HB) 1252.

HB 1252 authorizes a county to submit a written appeal to the Supervisor of Assessments regarding a commercial real property assessment within 180 days of the assessment notice.

In order to assess the number of real property accounts that exist within the City of Baltimore, even tackling only 1/3 of the City per year, the Maryland State Department of Assessment and Taxation (SDAT) must employ a Mass Appraisal technique. However, the current technique relies on a formula that may be being fed outdated data, leading to erroneous and often undervalued assessments that cost the City in terms of lost revenue. Additionally, SDAT often relies on Income data provided by the property owners themselves in their assessment methodology. This could provide incentive for Income to be artificially deflated and Expenses artificially inflated, driving the property's value down and lowering the revenue generated by the property tax.

Additionally, SDAT often fails to assess new construction in Baltimore City in a timely manner, though the City provides them with all of the permit data for new construction projects, including Use Permit data which signifies the completion of a project. The Baltimore City Department of Finance advises that SDAT's Baltimore Office is currently approximately 8 to 12 months behind in their pick-up of newly

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constructed and substantially rehabilitated properties. When properties are eventually picked up, the accuracy of the assessments continues to be a major concern. SDAT is currently estimated to be achieving an 80% Assessment to Value (AtV) ratio only about 85% of the time when assessing new construction, and estimated to be hitting their goal of a 90% AtV ratio on new construction less than 50% of the time.

As Baltimore City looks for opportunities to fully realize our revenue capacity to meet anticipated new obligations for public education and school facility construction, HB 1252 would give the BCA an additional opportunity to ensure that increased values of taxable commercial properties are properly captured.

The BCA asks for a **favorable** report on HB 1252.