MARYLAND Association of COUNTIES

Senate Bill 174

Property Tax Assessments – 5–Year Assessment Cycle

MACo Position: **OPPOSE**

To: Budget and Taxation Committee

Date: January 27, 2021

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **OPPOSES** SB 174. By extending the current, longstanding three-year assessment cycle to five years, this bill will undoubtedly compromise and artificially distort counties' primary revenue source.

Maryland's assessment system provides stability and certainty for both taxpayers and local governments. The triennial process and its three-year phase-in schedule deliberately offer some cushion for taxpayers during periods of swift and considerable increases in property values. Extending to a five-year cycle would codify inaccurate and inequitable assessments by systematically exaggerating the lag in property values compared to current market conditions.

SB 174 would build into the system a notion that nearly every property would be in an extended period of "catch up," as the phase-in of actual assessments would take five full years. As such, properties would be on the assessment rolls for years at substantially under-market values, not due to error or oversight, but by way of State policy.

Building such inequalities and inefficiencies into the process is counter to sensible taxation policy, and would jeopardize meaningful local revenues to support schools, public health, public safety, and other essential services upon which all county residents depend.

There are also broader consequences. An extended phase-in for value will have the greatest effect on higher value properties – effectively making the property tax even more regressively burdensome on lower income residents. And by depleting the tax base, the resulting upward pressure on tax rates could hamper Maryland's competitiveness for site location competitions, as such analyses rarely absorb past the tax rates themselves.

The three-year reappraisal process is a reasonable compromise between the expense of annual reappraisals and the detrimental effects of longer assessment cycles. SB 174 subverts the primary policy goal of fair and accurate property assessments and will cost counties millions of dollars in revenue needed for essential local services. Accordingly, MACo urges the Committee to issue an **UNFAVORABLE** report on SB 174.