

SB0174 Testimony.docx.pdf

Uploaded by: Glaser, Jonathan

Position: FAV



**DEPARTMENT OF
ASSESSMENTS AND TAXATION**

Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Michael L. Higgs, Jr., Director

DATE: January 27, 2021

BILL NUMBER: SB0174

COMMITTEE: Budget and Taxation

BILL TITLE: Property Tax Assessments – 5–Year Assessment Cycle

SDAT POSITION: Support

The State Department of Assessments and Taxation (SDAT) supports SB0174, a bill that would require the Department to assess each real property account in the State once every five years except where certain statutory criteria call for more frequent valuations.

There are more than two million real property accounts in Maryland. Currently, the Department must assess each of these properties once every three years. SDAT is tasked with reassessing over 700,000 properties annually. Amending the requirement to assess each property once every five years will reduce the burden of reassessing over 700,000 properties annually to an estimated 400,000.

The International Association of Assessing Officers (IAAO) is the association that sets the standards governing the property assessment field. IAAO recommends assessment cycles that range up to five years, therefore the department's proposed new regulation would fit within industry standards. Also, owing to the State's Constant Yield law, none of the counties or municipalities will see any reduction in tax revenues coming from the revised assessment cycle.

Most states have the assessment done at the county or town level with no statutory assessment cycle. Many of those perform a ratio study annually and the values are only adjusted if the values are outside of a prescribed range. Several states only reassess upon the sale of the property.

Among the states that use multi year assessment cycles, many cycles are five years or longer:

- 5 years - Alabama, Arkansas, South Carolina
- 6 years - Ohio, Oregon
- 8 years - North Carolina
- 10 years - Connecticut, Rhode Island

Office of the Director

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The Department will save an additional \$247,934 in General Funds in Fiscal Year 2022. The proposed legislation will save \$247,934 in the counties' share of cost for running the Real Property program.

For these reasons, SDAT strongly urges a favorable vote by the Committee for Senate Bill SB0174.

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SB 174.pdf

Uploaded by: Mitchell, Susan

Position: FAV



Senate Bill 174 - Property Tax Assessments – 5–Year Assessment Cycle

Position: Support

On behalf of Maryland REALTORS®, we support SB 174, which would allow for a 5-year tax assessment cycle rather than the existing triennial cycle.

Maryland REALTORS® understands the existing demands to currently conduct 3-year assessments on Department resources. Maryland REALTORS® believes switching to a 5-year cycle and spreading the savings for five years rather than three will benefit homeowners and the Department in the long-term.

For these reasons, Maryland REALTORS® respectfully request a favorable report of SB 174.

For more information, please contact bill.castelli@mdrealtor.org or susan.mitchell@mdrealtor.org or lisa.may@mdrealtor.org

SB 174 - MoCo (GA 21).pdf

Uploaded by: Boucher, Kathleen

Position: UNF



Montgomery County

Office of Intergovernmental Relations

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SB 174

DATE: January 25, 2021

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

ASSIGNED TO: Budget and Taxation

CONTACT PERSON: Kathleen Boucher (kathleen.boucher@montgomerycountymd.gov)

POSITION: Unfavorable

Property Tax Assessments – 5-Year Assessment Cycle

This bill requires the State Department of Assessments and Taxation to move from a three-year real property assessment cycle to a five-year cycle. This change will result in longer periods between the reassessment of real property and will cause an increase in the inequality of assessments and a decrease in the accuracy of the assessments in years four and five.

Montgomery County typically has a very active sales market upon which to base revised assessed values. To the extent that the sales data used to assess real property lags behind the most current sales data, the assessment becomes less equitable and accurate. This bill would also have a negative impact on the property tax assessment process because the County may only appeal the first reassessment of property after it is sold. As an example, for a property that is inaccurately reassessed in 2020 and sold in 2021, this bill would delay the County's ability to appeal the reassessment from 2023 (current law) to 2025.

Montgomery County respectfully respects that the Senate Budget and Taxation Committee give the bill an unfavorable report.

SB0174-BT_MACo_OPP.pdf

Uploaded by: Kinnally, Kevin

Position: UNF



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.

SB 174_Oppose_City of Havre de Grace.pdf

Uploaded by: Rybczynski, Adam

Position: UNF



City of Havre de Grace

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January 25, 2021

The Honorable Guy Guzzone
Chair, Budget and Taxation Committee
3 West
Miller Senate Office Building
Annapolis, Maryland 21401

RE: Oppose - SB 174 – Property Tax Assessments – 5–Year Assessment Cycle

Chairman Guzzone and The Honorable Members of the Budget and Taxation Committee:

The City of Havre de Grace opposes Senate Bill 174. If passed, the legislation would change the current triennial property assessment cycle to a 5-year cycle.

The City of Havre de Grace, in the fiscal year 2021, passed a \$20,346,300 operating budget with \$8,644,700 or 42% of the budget's revenue being collected from real property tax. The City's current tax rate is fixed at \$0.565 on each \$100 of assessable real property. Real property taxes are the main source of revenues to provide our citizens with essential public services, including but not limited to public safety, trash collection, public parks, and street infrastructure maintenance.

Over the last decade, in the State of Maryland, property values have increased on average 3% annually. Suppose SB 174 passes and home prices continue to rise at this rate each year; in that case, this will inhibit the City's ability to make accurate, reliable long-term revenue forecasts. Additionally, this will require the City to increase the tax rate more frequently to cover increases in the costs to provide services. Otherwise, we will be forced to reduce costs through reduced staffing, delayed maintenance, or replacement to comply with the City Charter and keep a balanced budget.

If a \$100,000 property were to increase \$3,000 a year, it would be assessed under the present law and SB 174 as follows.

	Current	vs	Proposed SB 147	
Year 1 -	\$100,000	vs	\$100,000	(No difference)
Year 2 -	\$100,000	vs	\$100,000	(No difference)
Year 3 -	\$100,000	vs	\$100,000	(No difference)
Year 4 -	\$109,000	vs	\$100,000	(\$9,000 less)
Year 5 -	\$109,000	vs	\$100,000	(\$9,000 less)
Year 6 -	\$109,000	vs	\$115,000	(\$6,000 more)
Year 7 -	\$118,000	vs	\$115,000	(\$3,000 less)
Year 8 -	\$118,000	vs	\$115,000	(\$3,000 less)
Year 9 -	\$118,000	vs	\$115,000	(\$3,000 less)
Year 10 -	\$127,000	vs	\$115,000	(\$12,000 less)

The City of Havre de Grace urges the Committee to give SB 174 an unfavorable report.