



Senate Bill 543

Property Tax - Constant Yield Tax Rate - Notice Requirements

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: February 16, 2022

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** SB 543. By updating the antiquated, inefficient, and confusing constant yield tax law, this bill would provide shared constituents with a more efficient, accurate, and transparent overview of local policy decisions and deliberations.

The Constant Yield concept is that, as assessments rise, the tax rate should drop to the point that the revenue derived from the property tax stays at a constant level from one year to the next. Because property assessments typically grow in value, constant yield rates are typically lower than the previous year's actual tax rate.

Under current law, local governments must advertise and hold public hearings on proposals to enact a tax rate that exceeds the constant yield rate – even if the actual rate remains unchanged. Because statute requires the advertisement to include "Notice of Tax Increase," constituents often do not understand that a county has simply adopted the same tax rate that had been in effect and that the notice is solely a function of a statutory requirement.

While SB 543 keeps the advertisement requirements in place, the bill replaces misleading and deceiving language with a more accurate description of local fiscal considerations. This will make the notice easier to understand, thereby improving government transparency and accountability.

SB 543 would make necessary and timely changes to outmoded provisions of Maryland's constant yield tax law, which will allow local governments to better serve and react to community needs. Accordingly, MACo urges the Committee to issue a **FAVORABLE** report for SB 543.