

SB 247 Testimony

Uploaded by: Antonio Hayes

Position: FAV

ANTONIO HAYES
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Finance Committee



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

January 25, 2022

Testimony of Senator Hayes in Support of Senate Bill 247: State Department of Assessments and Taxation - Real Property Assessments and Appeals

Chairman Guzzone and Members of the Budget and Taxation Committee,

The State Department of Assessments and Taxation (SDAT) currently does not provide property owners with sufficient information on how assessed real property values are calculated, such as their methodologies and formulas, or how the depreciation component is determined. This secretive process creates vast discrepancies in how properties are valued in our State.

Furthermore, the independent Property Tax Assessment Appeal Board, the Maryland Tax Court, and the Maryland Circuit Court cannot use any criteria other than market sales in the appeal process, thus severely limiting the ability of the appeals process to result in fair and just outcomes for appellants.

Senate Bill 247 seeks to remedy these issues by:

- Requiring SDAT to publish a plain language description of its assessment process on its website to ensure that property owners understand the process;
- Lowering the minimum value of property improvements or renovations that trigger a mid-cycle revaluation from \$100,000 to \$50,000 to promote economic inclusivity; and
- Allowing an appeal authority to consider criteria other than market sales in the appeal process to ensure a just outcome for appellants.

These changes are necessary to ensure that the real property assessment and appeals processes are equitable and just. Senate Bill 247 will establish a transparent assessment process and will help Maryland property owners seek relief from unfair property assessments.

For these reasons, I strongly urge a favorable report on Senate Bill 247.

Respectfully,

A handwritten signature in blue ink, appearing to read "Antonio L. Hayes".

Senator Antonio L. Hayes
40th Legislative District - MD

MMHA - 2022 - SB 247 - SDAT Property Evaluation.pd

Uploaded by: Grason Wiggins

Position: FAV



Senate Bill 247

Committee: Budget and Taxation
Date: January 25, 2022
Position: **Favorable**

This testimony is offered on behalf of the Maryland Multi-Housing Association (MMHA). MMHA is a professional trade association established in 1996, whose members consist of owners and managers of more than 210,000 rental housing homes in over 958 apartment communities. Our members house over 538,000 residents of the State of Maryland. MMHA also represents over 250 associate member companies who supply goods and services to the multi-housing industry.

Senate Bill 247 requires the State Department of Assessments and Taxation (SDAT) to publish on its website information in plain language regarding the assessment process and methodology for determining the value of real property. The bill further establishes criteria for appellate review of the value of real property, including (1) the fair market value of real property, (2) the valuation and assessment methodology employed by the assessor, (3) depreciation factors, (4) the assessment value of comparable properties, or (5) any other criteria related to the valuation and assessment of real property.

MMHA supports clarity and consistency in SDAT's assessment process. Providing clear information on SDAT's website and establishing appellate criteria will greatly assist property owners in understanding processes involved with valuation of their property. For these reasons, MMHA respectfully requests a favorable report on Senate Bill 247.

Grason M. Wiggins, MMHA Senior Manager, Government Affairs, 912.687.5745

SB 246 Witness Written Testimony-Lisa Scott.pdf

Uploaded by: Lisa Scott

Position: FAV

January 21, 2022

Testimony of Lisa Scott in Support of Senate Bill 246: State Department of Assessments and Taxation – Real Property Assessments and Appeals

Chairperson and Members of the Budget and Taxation Committee:

After completing two Baltimore City property valuation cycles with The State Department of Assessments and Taxation (SDAT), my experience of the assessment methodology and process is that it is opaque, unfair, out of keeping with the most basic IRS guidelines, and favors the wealthy. Furthermore, the appeal process – being restricted only to arguments based on market sales – perpetuates the aforementioned problems and leaves property owners with no ground or recourse for correction when the methodology itself is incorrect.

Below is a more detailed explanation of these issues:

ASSESSMENT PROCESS AND METHODOLOGY

1. The assessment process is a “black box.”

SDAT provides property owners with no information on *how* market value is determined. Moreover, property owners are offered no insights into all the factors that affect the assessment (e.g., property condition, improvements, depreciation, etc.) and *how* those factors are considered and incorporated into the market value calculation.

2. SDAT claims the assessment process is “uniform.” It is not.

The letter accompanying my Assessment Notice claims that estimated market values are “developed using recent market information from your area and has been applied uniformly to all comparable properties.” Yet, there are egregious discrepancies in how properties are valued based on my research into properties throughout Bolton Hill, suggesting this may be an issue for Baltimore city and the state of Maryland writ large.

As one example, in the 2019 cycle, my property was valued at \$107,000 to \$147,800 higher than the other center-unit properties on my block (all built to the same specifications, see Exhibits A and B), despite some properties having undergone recent and extensive renovations according to the permit records accessible through baltimorehousing.org. **A non-uniform depreciation calculation appears to be the issue in my case.**

3. SDAT does not adhere to basic IRS guidelines for assessing properties.

Issues 1 and 2 demonstrate a lack of adherence to federal guidelines. Per the IRS's Real Property Valuation Guidelines, section [4.48.6.2.4 \(09-22-2020\)](#), three approaches should be used to determine assessed values: Market or Sales Comparison Approach, Cost Approach, and Income Approach. SDAT considers only the Market or Sales Comparison Approach. Moreover, clauses 6 and 8 within that section state:

“6. The reconciliation and final opinion of value should consider the appropriateness of each approach to the value of the specific property, the quantity, veracity and reliability of the data supporting each approach, and should logically lead the reader to the final opinion of value. If one or more approaches are not utilized or ignored, the appraiser should explain the reasons for omitting any approaches. The appraiser should provide reasoning for significant differences between approach conclusions and recognize the most reliable approach or approaches to conclude value.”

“8. The appraiser should clearly explain and provide reasoning for the value conclusion.”

I see no evidence that SDAT adheres to the guidelines within section [4.48.6.2.4 \(09-22-2020\)](#).

4. The assessment process favors the wealthy.

Individuals or companies who can secure the funds to purchase and renovate properties do not see their property values increased accordingly. Since wealth affords people the ability to pay cash for renovations or obtain construction loans, the assessment process favors the wealthy by providing them with significant tax breaks not afforded to others. That is unjust, inequitable, and arguably discriminatory.

APPEAL PROCESS

1. Only market sales are considered in the appeal process.

At no point during my Level 1 or Level 2 appeal was it disclosed that market sales is the ONLY argument that will be heard in the appeal process. It took appearing before a judge in MD tax court during the Level 3 appeal to understand this.

2. SDAT uses the high sales to justify a property's market value in a level 3 appeal; comparability does not appear to be a factor.

Lisa Scott
143 West Lanvale Street
Baltimore, MD 21217

During the Level 3 appeal for my center unit property, two end units were presented by SDAT as evidence of my property being fairly assessed. (This contradicts a statement made by the Assessor during my Level 1 appeal that end units are not considered comparable to center units.) Based on a permit record search at baltimorehousing.org, it is clear that recent, extensive improvements were made to those properties, which is not the case for my property. No explanation or evidence was provided by SDAT as to how these properties were deemed comparable, aside from square footage.

3. Legislation is the only recourse available to property owners who have a dispute with the assessment methodology itself.

According to the Level 3 appeal judge, the state of Maryland (unlike some states) will not consider arguments about the assessment methodology. According to the judge, issues with the assessment process can only be addressed through the legislature. This absolves SDAT of any accountability for errors and discrepancies in the process and perpetuates disparities in the property taxes paid by property owners. In my case, it appears that the depreciation calculation for my property is incorrect, but I have zero means of addressing or appealing that with SDAT.

In looking at the 2019 assessment process (as well as the 2014 one), it cannot be that both my property *and* the other highly comparable properties I submitted as evidence were correctly taxed. This is a contradiction in reasoning. I believe this supports my claim that the assessment methodology/process is fundamentally flawed and in need of correction. It demonstrates that the criteria for appeal must be expanded to allow for assessed values to be argued on grounds outside of a market sales approach. This would promote fairness and equity insofar as it would enable property owners to have sufficient recourse to address errors and inconsistencies within the assessment process itself. For this reason, I urge you to vote in favor of SB 246.

Respectfully,


Lisa Scott

Exhibit A

GoogleMaps Photo of South Side of West Lanvale St between John St and Brevard Alley



Exhibit B

SDAT Data for Center Unit Properties on South Side of West Lanvale St between John St and Brevard Alley

Note: Data obtain from SDAT Real Property Database

#	Address	Owner	Property Type	Stories	Primary Structure		Living Area	Finished Basement		Baths Full	Baths Half	Garage	Sale Date	Depreciation %	Depreciation Amount	Sale Price	New Assessed Value	
					Built	Quality		Area SqFt	SqFt									
01	135 W LANVALE ST	COSTA JOSEPH	CENTER UNIT	3	1850	6	2,736	496		2	1		1/18/96	50.0%	\$258,813	\$140,000	\$353,800	
02	137 W LANVALE ST	HOVANEC SUS	CENTER UNIT	3	1900	6	2,736			2	2		3/12/15	46.5%	\$231,233	\$350,000	\$366,000	
03	139 W LANVALE ST	KAUFFMAN KA	CENTER UNIT	3	1900	6	2,736			1			8/29/95	50.0%	\$232,060	\$180,000	\$332,000	
04	141 W LANVALE ST *	MCCOY/ABRAH	CENTER UNIT	3	1900	6	2,736			3			5/15/06	50.0%	-\$256,332	\$660,000	\$356,300	
05	143 W LANVALE ST	SCOTT LISA, SC	CENTER UNIT	3	1900	6	2,736			2			12/4/12	20.5%	-\$97,958	\$483,000	\$479,800	
06	145 W LANVALE ST	JOHNSON JOH	CENTER UNIT	3	1900	6	2,736			3	1		8/4/17	50.0%	-\$272,801	\$470,000	\$372,800	
07	147 W LANVALE ST	SULTAN PETER	CENTER UNIT	3	1850	6	2,736			2			7/10/02	50.0%	\$242,700	\$305,000	\$342,700	
*This is a three-unit property																		
																Max Difference Between 143 and Other Properties		\$147,800
																Min Difference Between 143 and Other Properties		\$107,000

SB0247.docx.pdf

Uploaded by: Director Michael Higgs

Position: INFO

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HEARING DATE: January 25, 2022

BILL: SB0247

TITLE: State Department of Assessments and Taxation – Real Property Assessments and Appeals

SDAT POSITION: LETTER OF INFORMATION

The State Department of Assessments and Taxation (SDAT) finds the language in proposed T-P, 14-516(B)(4) subsection (4) to be in violation of Article 15 of the Maryland Constitution. The provision states that the assessing authorities may consider "THE ASSESSMENT VALUE OF COMPARABLE PROPERTIES" in resolving real property assessment appeals. (Page 3, line 1).

Article 15 of the Maryland Constitution “requires that the same standard of value or economic yardstick must be used in making assessments within the same subclass.” Lane v. Supervisor of Assessments of Montgomery Cnty., 447 Md. 454, 135 A.3d 828 (2016).

The subclasses of real property are set forth in T-P, 8-101. The "economic yardstick" for the biggest subclass of real property in the State has been legislatively determined to be "full cash value". T-P, 1-101(qq). "Full cash value" is determined based on three widely accepted appraisal approaches, one of which is comparable sales in the marketplace (as opposed to comparable assessments).

This proposed legislation will interject a new economic yardstick into valuing property in the same subclass that deviates from the full cash value standard - i.e., comparable assessments. Therefore, one account of real property that has not appealed its assessment could be valued based on market sales. The account in the same class right next door that has appealed could be valued using a completely different standard, comparable assessments. This is contrary to the principle of uniformity that Article 15 guarantees to preserve to the citizens.

Furthermore, there is an existing Court of Appeals case that is contrary to this bill. See Samet v. Supervisor of Assessments of Balt. City, 290 Md. 357, 361 (1981) (explaining that an owner whose

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property has been properly assessed according to the fair market value will not receive a reduced assessment even when neighboring properties may have been assessed at a lesser valuation).

For these reasons, SDAT offers this Letter of Information for SB0247 and strongly recommends a reconsideration of the bill in its current form.