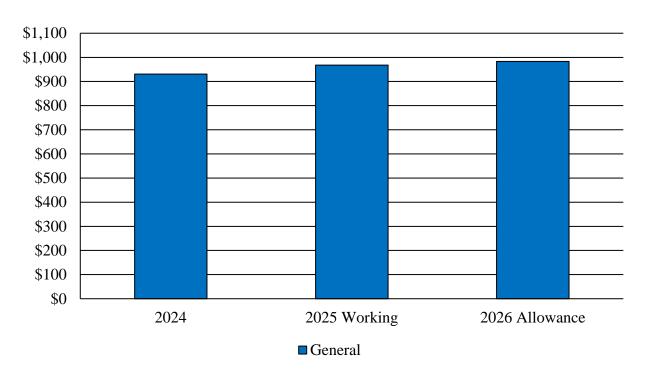
C85E00 Maryland Tax Court

Program Description

The Maryland Tax Court (MTC) is an independent State agency tasked with providing the highest level of administrative review on the decisions of Maryland's taxing authorities. Decisions appealed to MTC include those from the Comptroller of Maryland, the State Department of Assessments and Taxation (after first being heard by the Property Tax Assessment Appeals Boards), and local collectors, among others. Appeals from MTC are directed to the circuit courts. MTC is composed of five judges who are appointed by the Governor for six-year terms. MTC's goal is to provide taxpayers and taxing authorities with efficient and fair hearings regarding any tax issue.

Operating Budget Summary

Fiscal 2026 Budget Increases \$15,435, or 1.6%, to \$983,424 (\$ in Thousands)



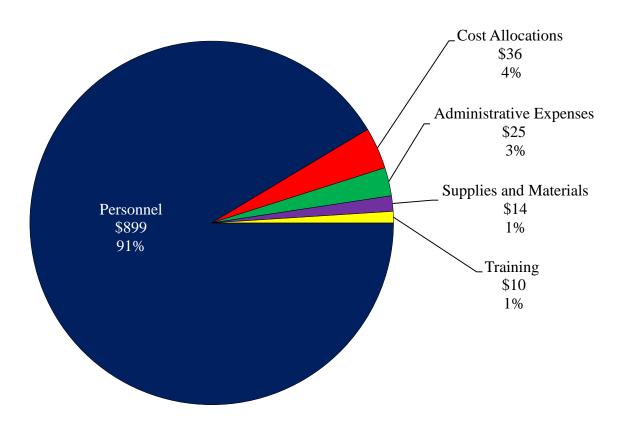
Note: The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

For further information contact: David Propert

Fiscal 2026 Overview of Agency Spending

As illustrated in **Exhibit 1**, the majority of MTC's fiscal 2026 allowance (91%) is allocated to personnel expenses, which includes 5 judges and 4 regular and 0.4 full-time equivalent administrative staff.

Exhibit 1
Overview of Agency Spending
Fiscal 2026 Allowance
(\$ in Thousands)



Note: The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Governor's Fiscal 2026 Budget Books

Proposed Budget Change

As shown in **Exhibit 2**, the fiscal 2026 allowance for MTC increases by 1.6% compared to the fiscal 2025 working appropriation.

Exhibit 2 Proposed Budget Maryland Tax Court (\$ in Thousands)

	General	
How Much It Grows:	Fund	Total
Fiscal 2024 Actual	\$930	\$930
Fiscal 2025 Working Appropriation	968	968
Fiscal 2026 Allowance	<u>983</u>	<u>983</u>
Fiscal 2025-2026 Amount Change	\$15	\$15
Fiscal 2025-2026 Percent Change	1.6%	1.6%

Where It Goes:	Change
Personnel Expenses	
Salary increases including fiscal 2025 COLA and increments not yet	
reflected in the agency's budget	\$18
Miscellaneous adjustments	7
Employee and retiree health insurance	-14
Other Changes	
Cost allocations	4
Total	\$15

COLA: cost-of-living-adjustment

Note: Numbers may not sum to total due to rounding. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

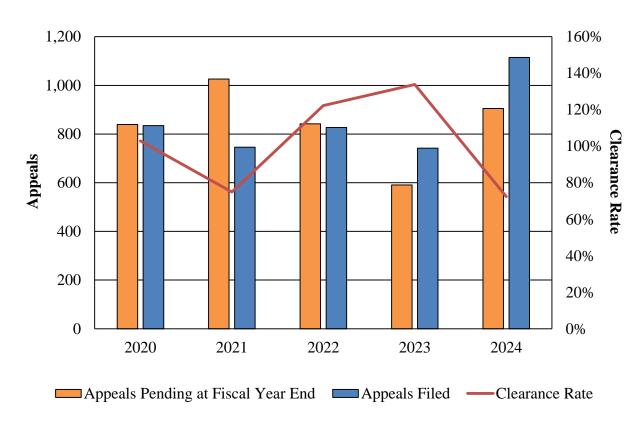
Personnel Data

	FY 24 <u>Actual</u>	FY 25 Working	FY 26 <u>Allowance</u>	FY 25-26 <u>Change</u>		
Regular Positions	9.00	9.00	9.00	0.00		
Contractual FTEs	0.80	0.40	<u>0.40</u>	0.00		
Total Personnel	9.80	9.40	9.40	0.00		
Vacancy Data: Regular Positions Turnover and Necessary Vacancies, Excluding						
New Positions		0.00	0.00%			
Positions and Percentage Vacant a	s of 11/30/24	0.00	0.00%			
Vacancies Above Turnover		0.00				

1. Appeals Increase and Overall Appeal Clearance Rate Decreases

As shown in **Exhibit 3**, there were 1,115 appeals filed with MTC in fiscal 2024, an increase of 373 appeals (50%) compared to fiscal 2023 and near prepandemic levels. Additionally, there were 905 pending appeals at the end of fiscal 2024, an increase of 314 appeals (53%) from fiscal 2023. MTC achieved a 72% clearance rate, which is calculated as the number of cases disposed in fiscal 2024 divided by the total cases filed in fiscal 2024. This level of clearance is substantially below the goal of 90% and is the lowest in recent years. **MTC should comment on the cause of the increase in the number of pending appeals and actions that the agency is taking to reduce the backlog.**

Exhibit 3 Maryland Tax Court Appeals Fiscal 2020-2024 Est.

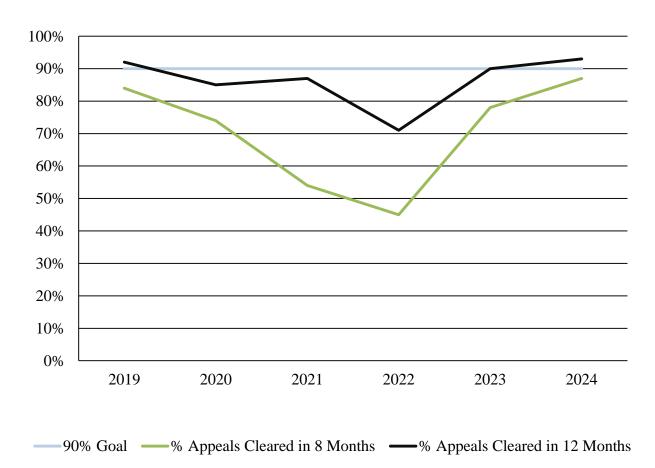


Source: Department of Budget and Management; Department of Legislative Services

2. Clearance Rates Increase for Appeals Opened and Closed within Certain Timeframes

As shown in **Exhibit 4**, the percentage of appeals to be opened and closed within 8 months improved from 78% in fiscal 2023 to 87% in fiscal 2024, slightly below the goal of 90%. MTC achieved the goal of 90% of appeals opened and closed within 12 months with a rate of 93% in fiscal 2024.

Exhibit 4 Maryland Tax Court Appeal Clearances Fiscal 2019-2024 Est.



Source: Department of Budget and Management

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MTC has cited several factors as contributing to the failure to clear 90% of cases within eight months. These factors include an administrative process that is heavily reliant on paper records, postponements requested in appeal hearings (particularly among commercial real estate assessments), and a longer than needed time period between the end of an appeal and the issuance of a signed order from a judge that formally closes the case.

MTC's administrative procedures utilize processes recorded on paper that are later entered by administrative staff into MTC's antiquated database. The database was designed for MTC by the Maryland Department of Planning more than 20 years ago and lacks several features that a modern database would include, such as a method to receive appeals online and capabilities that would make the system more efficient for MTC staff by reducing the need for paper documents. MTC has indicated that statutory changes would be necessary in order for appeals to be filed online, and MTC is continuing to work with the Attorney General's office to determine what specifically needs to be altered. The incorporation of a new database would potentially lessen MTC's administrative burden, leading to the faster processing of appeals. MTC has been in contact with other State agencies, including the Department of Information Technology, for help with procuring or developing a new case management system with e-filing capability. MTC has also engaged at least three private software vendors as well as the Department of Planning, which is still the provider of MTC's current case management system.

Postponements in appeals continue to be mostly requested by litigants and are only requested by MTC if a judge must reschedule a hearing due to illness or another unforeseen reason. Postponements do not halt the calculation of time that an appeal takes from the date of filing to the date of disposition. As such, many cases that include postponements exceed the 8-month and 12-month benchmarks through no fault of MTC. MTC indicated that 346 postponements were granted in fiscal 2024.

In fiscal 2024, MTC stated that work was ongoing to decrease the amount of time needed following a hearing, settlement, or withdrawal of an appeal for a judge to issue a signed order formally closing the case. The current extended amount of time for the order to be signed is due in part to MTC's previously mentioned slower administrative processes. Because it takes time for paperwork to progress through the agency, the order is often not signed for a number of days after the hearing concludes, or the appeal is settled or withdrawn. All appeals, regardless of how they conclude, require a signed order to be closed. The current processes take more time than MTC has found to be necessary, and shortening this process is expected to decrease the amount of time an appeal takes to conclude.

MTC should discuss potential costs for developing and implementing a new case management system. Additionally, MTC should comment on what changes it has implemented to decrease the amount of time between the conclusion of an appeal and a judge signing the order that formally closes the case and other changes that led to the improved percentage of appeals cleared in 8 and 12 months.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1 Object/Fund Difference Report Maryland Tax Court

Object/Fund	FY 24 <u>Actual</u>	FY 25 Wrk Approp	FY 26 <u>Allowance</u>	FY 25 - FY 26 Amount Change	% Change
Positions					
01 Regular	9.00	9.00	9.00	0.00	0%
02 Contractual	0.80	0.40	0.40	0.00	0%
Total Positions	9.80	9.40	9.40	0.00	0%
Objects					
01 Salaries and Wages	\$ 844,303	\$ 874,009	\$ 885,086	\$ 11,077	1.3%
02 Technical and Spec. Fees	16,695	23,760	23,760	0	0%
03 Communication	2,287	3,510	3,510	0	0%
04 Travel	1,293	1,700	1,700	0	0%
08 Contractual Services	48,153	45,211	49,569	4,358	9.6%
09 Supplies and Materials	14,331	13,500	13,500	0	0%
10 Equipment – Replacement	0	1,300	1,300	0	0%
11 Equipment – Additional	0	1,100	1,100	0	0%
13 Fixed Charges	3,399	3,899	3,899	0	0%
Total Objects	\$ 930,461	\$ 967,989	\$ 983,424	\$ 15,435	1.6%
Funds					
01 General Fund	\$ 930,461	\$ 967,989	\$ 983,424	\$ 15,435	1.6%
Total Funds	\$ 930,461	\$ 967,989	\$ 983,424	\$ 15,435	1.6%

Note: The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.