

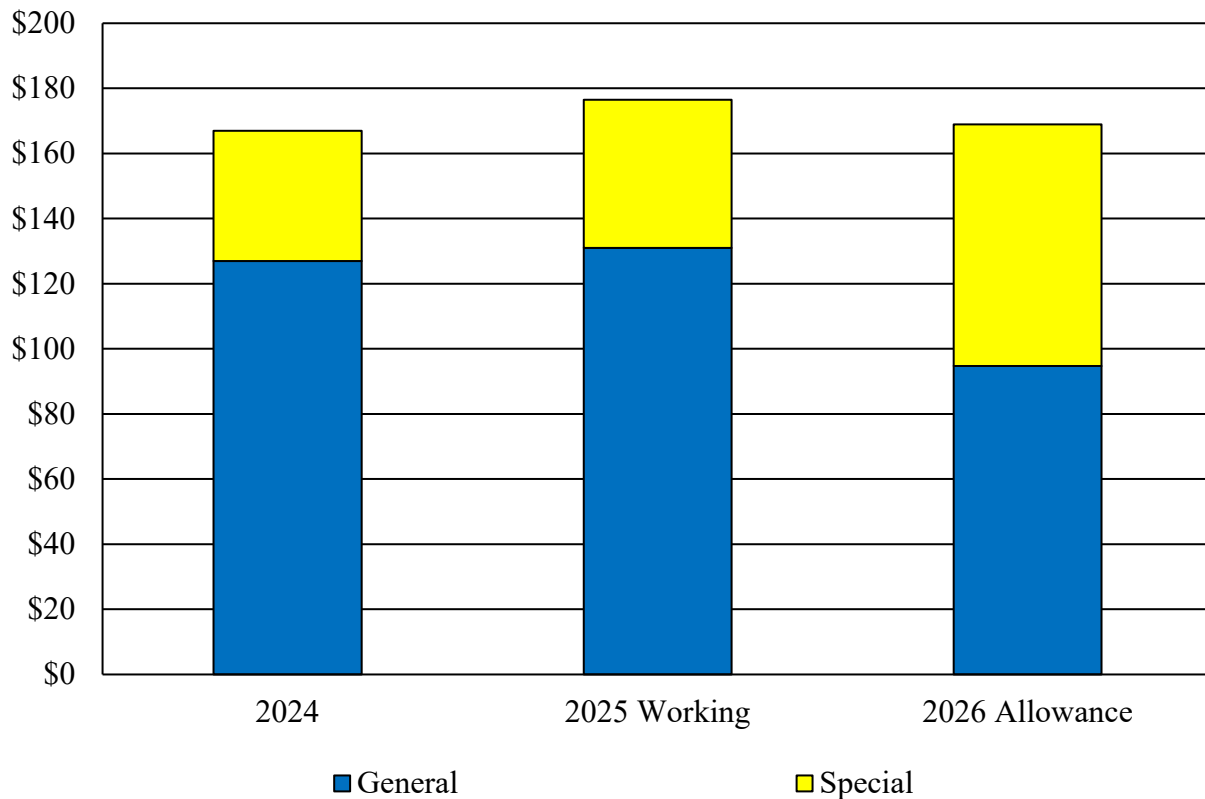
E50C
State Department of Assessments and Taxation

Executive Summary

The State Department of Assessments and Taxation (SDAT) is responsible for conducting property assessments statewide, administering property tax credit programs, and processing business filings in the State.

Operating Budget Summary

**Fiscal 2026 Budget Decreases by \$7.6 Million, or 4.3%, to \$168.9 Million
(\$ in Millions)**



Note: The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2026 allowance accounts for contingent reductions. 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.

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- The fiscal 2026 allowance includes a total reduction of \$28,142,006 in general funds and a special fund appropriation of \$20,900,392, contingent on enactment of provisions in the Budget Reconciliation and Financing Act (BRFA) of 2025. Of this funding, \$20,900,392 is related to increasing the local share of administrative costs under SDAT for real property valuation, business personal property valuation, and information technology (IT) expenses. The other \$7,241,614 reduction is contingent on the enactment of a BRFA provision that prohibits participation in the Enterprise Zone Tax Credit Program for new properties starting July 1, 2025.

Key Observations

- ***One Assessment Timeliness Measure Slightly Worsens, but Assessment Accuracy Increases:*** The percentage of local assessable base assessed by October 31 decreased from 50% in fiscal 2023 to 49% in fiscal 2024, while the percentage of personal property assessed in a timely manner improved. Over that same time frame, residential assessment accuracy increased from an assessment-to-sales ratio of 90.2% to 92.5%.
- ***Real Property Assessor Vacancies Decrease Significantly:*** The fiscal 2025 budget included annual salary reviews and other salary increases for certain SDAT class codes, which has contributed to a reduction in real property assessor vacancies. As of December 31, 2024, there are 8 assessor vacancies, which is 10 less than the 18 vacancies reported at the end of July 2024.
- ***Projected Tax Credit Utilization Decreases in Fiscal 2026 Despite Growth in Fiscal 2024:*** Fiscal 2024 actual spending for the Homeowners' Tax Credit (HTC) increased substantially over the budgeted amount. Utilization in fiscal 2025 is expected to continue growing as the fiscal 2026 budget plan proposes a deficiency appropriation of \$16.2 million for the HTC. However, the fiscal 2026 allowance decreases by \$8.2 million compared to the adjusted fiscal 2025 funding level, despite recent increases in the number of HTC applications and the share of eligible applications.

Operating Budget Recommended Actions

1. Add Language restricting funds pending two reports on the status of the Cloud Revenue Integrated System development projects
2. Adopt committee narrative requesting two reports on the status of assessor vacancies within the Real Property Valuation Program

Updates

- ***December 2023 Property Assessment Notice Mailing Error:*** Language in the fiscal 2025 Budget Bill (Chapter 716 of 2024) restricted general funds pending a report on the property assessment mailing error and contract management. This update provides a summary of SDAT's response submitted in June 2024.

E50C
State Department of Assessments and Taxation

Operating Budget Analysis

Program Description

SDAT supervises the assessment of all property in the State. The department performs assessments on one-third of all real property and personal property in the State every year and certifies to the local taxing authorities the assessment of every piece of property. The department also administers four tax credit programs:

- Homestead Tax Credit (HST);
- HTC;
- Renters' Tax Credit (RTC); and
- Enterprise Zone Tax Credit Program.

The HST assists homeowners with large assessment increases on their principal residence to limit the increase in annual taxable assessments to a fixed percentage. The homeowners' and renters' programs provide property tax relief to all eligible homeowners and renters. The Enterprise Zone Tax Credit Program reimburses local governments for property tax credits given to businesses that are in or expand into enterprise zones.

In addition, SDAT operates the Tax Sale Ombudsman's Office, which aims to provide homeowners across the State with information, assistance, and resources to assist with the tax sale system. The Tax Sale Ombudsman's Office administers the Homeowner Protection Program (HPP), which provides loans to enrolled homeowners to avoid tax sale. SDAT also operates the Ground Rent Department, which assists in the registry and redemption of ground rent.

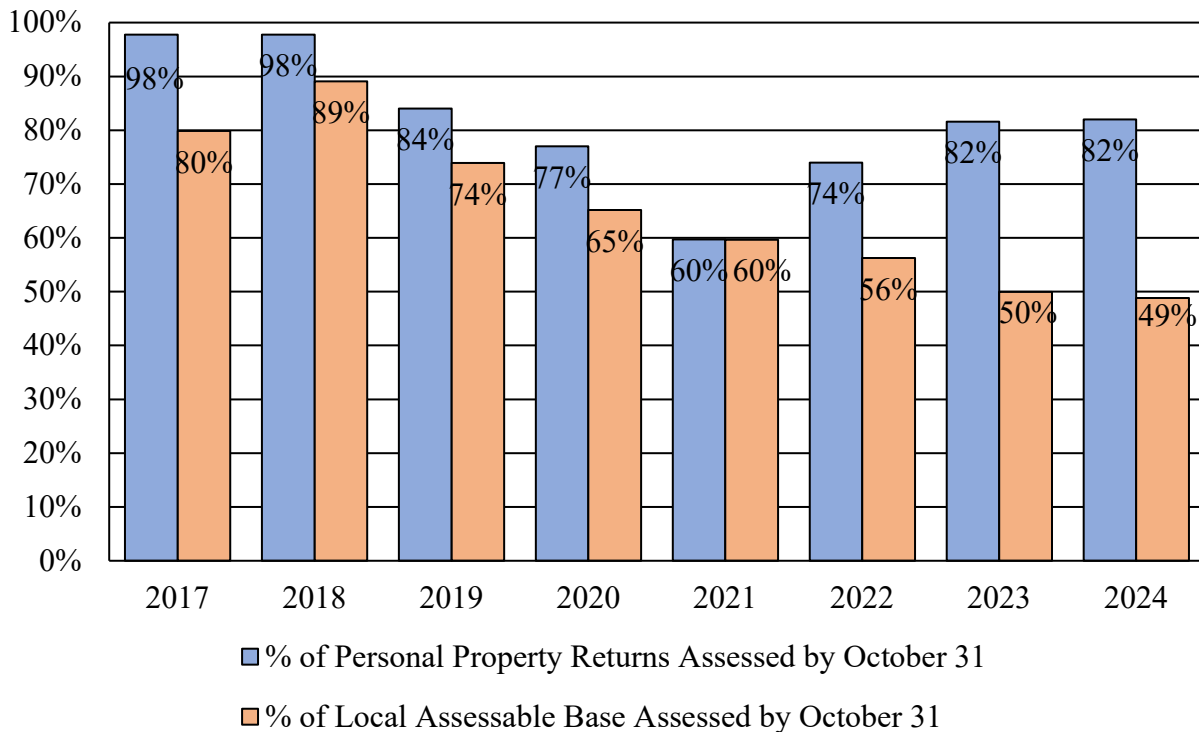
SDAT collects public service company franchise taxes and assesses all public utility companies in the State. It serves as the filing place for businesses operating in the State and registers companies, corporations, and partnerships in Maryland and generates certificates and certified documents. The various forms that businesses must file with the department are available to the public for inspection. The goals of the department are to provide a consistently accurate property valuation system, run efficient and effective programs for property tax relief and business services, and operate convenient and professional facilities.

Performance Analysis: Managing for Results

1. Timeliness of Assessments Slightly Improves for Personal Property Returns but Not for Local Assessable Base

SDAT administers a property valuation system that assesses taxable properties across the State and processes property tax returns. The department has the stated objective of assessing tax returns accurately and promptly. **Exhibit 1** shows the percentages of personal property tax returns and local assessable base assessed by October 31 of each year. Personal property includes items such as computers, vehicles, and other personal objects. The percentage of personal property returns assessed in a timely manner has improved each year since fiscal 2021 when the annual report and personal property filing deadlines were pushed back from April 15 to July 15 during the COVID-19 pandemic. In fiscal 2024, SDAT assessed 82.0% of personal property returns by the goal of October 31, which is 0.4% better than in fiscal 2023.

Exhibit 1
Timeliness of Personal Property Returns and Local Assessable Base Assessed
Fiscal 2017-2024

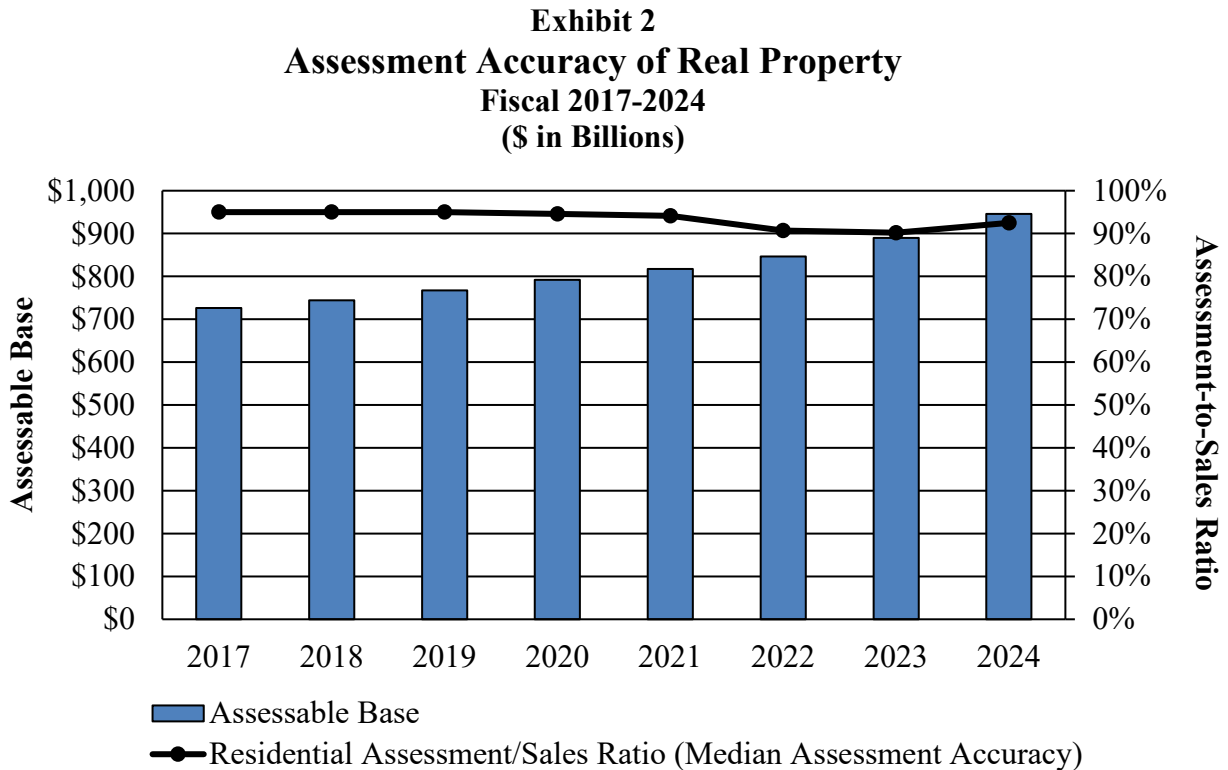


Source: Department of Budget and Management; State Department of Assessments and Taxation

The percentage of local assessable base assessed by October 31 has decreased each year since fiscal 2018. In fiscal 2024, 49% of the local assessable base was assessed by October 31, compared to 50% in fiscal 2023. **SDAT should discuss the reasons for the decrease in the percentage of the local assessable base assessed by October 31 in recent years and describe the efforts that it is taking to improve the timeliness of these assessments.**

2. Assessment Accuracy Improves

The accuracy of market valuation is measured as the ratio of assessed value to the sales price of the property, or the assessment-to-sales ratio. The closer the ratio is to 100%, the closer assessments are to sales prices. A ratio higher than 100% would signal that assessments were higher than market value and vice versa. The recognized standard objective adopted by SDAT is a median assessment-to-sales ratio between 90% and 110%. As shown in **Exhibit 2**, assessment accuracy was consistently between 94% and 95% from fiscal 2017 through 2021 followed by a dip in fiscal 2022 and 2023 with fiscal 2023 coming very close to falling below the 90% threshold with a value of 90.2%. Assessment accuracy increased by 2.3% in fiscal 2024 to 92.5%. The assessable base increased by 6.3% in fiscal 2024 compared to fiscal 2023, rising from \$889.5 billion to \$945.6 billion.



Source: Department of Budget and Management; State Department of Assessments and Taxation

Fiscal 2025

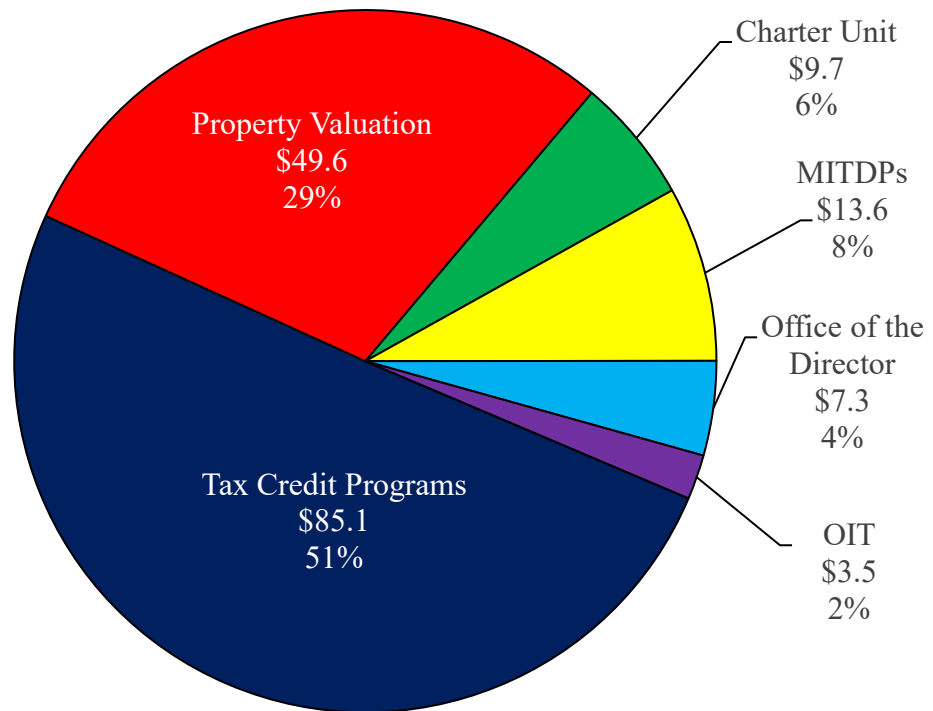
The fiscal 2026 budget includes three deficiency appropriations totaling \$20,740,667:

- \$16,571,731 in general funds, including increases of \$16,227,754 for the HTC and \$1,743,977 for the Enterprise Zones and a decrease of \$1,400,000 for the RTC due to updated projections for program utilization;
- \$1,278,749 in general funds and \$2,194,033 in special funds from the Homeowner Protection Fund, which were reverted and canceled at fiscal 2024 closeout in error; and
- \$696,154 in special funds for administrative expenses within the Office of the Director.

Fiscal 2026 Overview of Agency Spending

The fiscal 2026 allowance for SDAT totals \$168.9 million after accounting for contingent reductions. As shown in **Exhibit 3**, the tax credit programs, which include the HTC, RTC, and Enterprise Zone tax credits, account for 51%, or \$85.1 million. The business and real property valuation programs comprise the second largest share of the budget at 29%, or \$49.6 million. The Charter Unit, Major Information Technology Development Projects (MITDP), Office of the Director, and Office of Information Technology make up the remaining 20%, or \$34.1 million, of the allowance.

Exhibit 3
Overview of Agency Spending
Fiscal 2026 Allowance
(\$ in Millions)



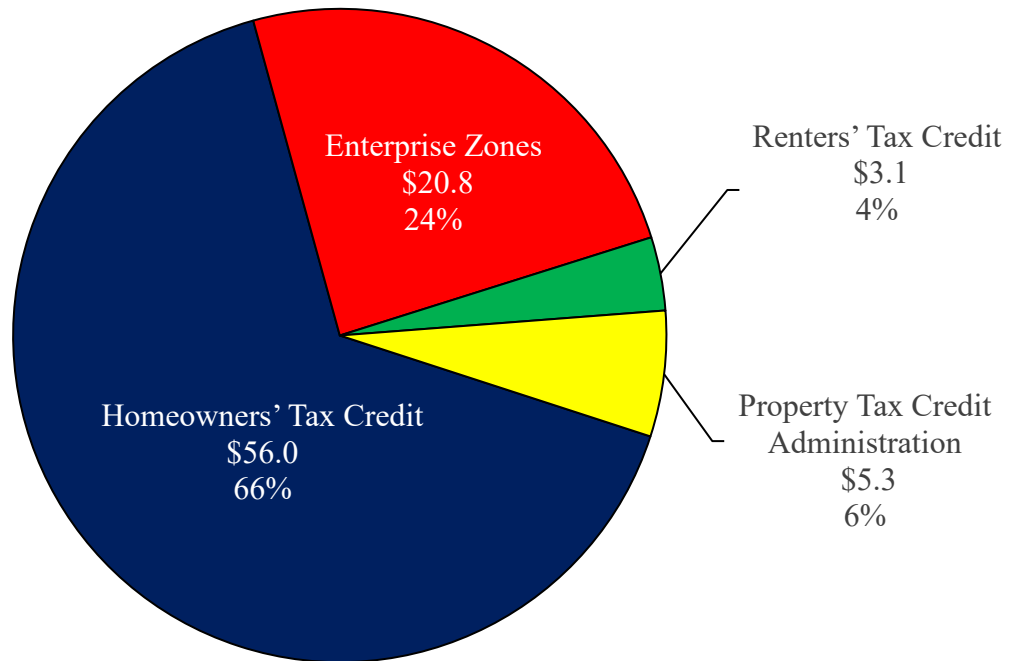
MITDP: Major Information Technology Development Project
OIT: Office of Information Technology

Note: The fiscal 2026 allowance accounts for contingent reductions. 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: Department of Budget and Management

As shown in **Exhibit 4**, out of the \$85.1 million in the allowance allocated to tax credit programs, the HTC accounts for \$56.0 million, or two-thirds. Enterprise Zone tax credits account for 24%, or \$20.8 million, after accounting for a \$7.2 million reduction contingent on legislation. The RTC and administrative costs make up the remaining 10%.

Exhibit 4
Tax Credit Program Spending
Fiscal 2026 Allowance
(\$ in Millions)



Note: Numbers may not sum to total due to rounding. The fiscal 2026 allowance accounts for contingent reductions.

Source: Department of Budget and Management

Proposed Budget Change

As shown in **Exhibit 5**, the fiscal 2026 allowance decreases by \$7.6 million compared to the fiscal 2025 working appropriation after accounting for deficiencies and contingent reductions. Major changes in the budget include decreases of \$8.2 million in the HTC due to the one-time deficiency appropriation in fiscal 2025, \$8.0 million from the Enterprise Zone Tax Credit Program, mainly due to a fiscal 2026 reduction contingent on legislation freezing participation, and \$4.2 million for the HPP. Partially offsetting these reductions are approximate increases of \$6.2 million for MITDPs and \$3.7 million for regular personnel, including salaries and fringe benefits for existing positions, 1 new position, and 1 contractual conversion.

Exhibit 5
Proposed Budget
State Department of Assessments and Taxation
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Total
Fiscal 2024 Actual	\$126,946	\$39,991	\$166,937
Fiscal 2025 Working Appropriation	131,007	45,511	176,518
Fiscal 2026 Allowance	<u>94,710</u>	<u>74,211</u>	<u>168,921</u>
Fiscal 2025-2026 Amount Change	-\$36,297	\$28,700	-\$7,597
Fiscal 2025-2026 Percent Change	-27.7%	63.1%	-4.3%
Where It Goes:			<u>Change</u>
Personnel Expenses			
Salary increases and associated fringe benefits, including fiscal 2025 cost-of-living adjustment and increments.....			\$3,856
Turnover decreases from 6.96% to 5.24%.....			885
Miscellaneous adjustments			488
Salaries and fringe benefits for 2 new positions, including 1 contractual conversion.....			183
Accrued leave payout.....			142
Reclassification			-523
Employee and retiree health insurance			-1,348
Other fringe benefit adjustments.....			-23
Other Changes			
CRIS and MAAVS major information technology projects.....			6,191
Real Property Valuation program contracts.....			1,582
Postage			516
Contractual employee wages and benefits			292
State cost allocations.....			183
Rent and insurance			182
Renters' Tax Credits			100
Homeowner Protection Program.....			-4,231
Enterprise Zone Tax Credit Program, driven by a one-time fiscal 2025 deficiency and a freeze on participation contingent on legislation.....			-7,986
Reduction in Homeowners' Tax Credit driven by a one-time fiscal 2025 deficiency			-8,228

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Where It Goes:	<u>Change</u>
Other expenses	141
Total	-\$7,597

CRIS: Cloud Revenue Integrated System

MAAVS: Maryland Assessment Administration and Valuation System

Note: Numbers may not sum to total due to rounding. The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2026 allowance accounts for contingent reductions. 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.

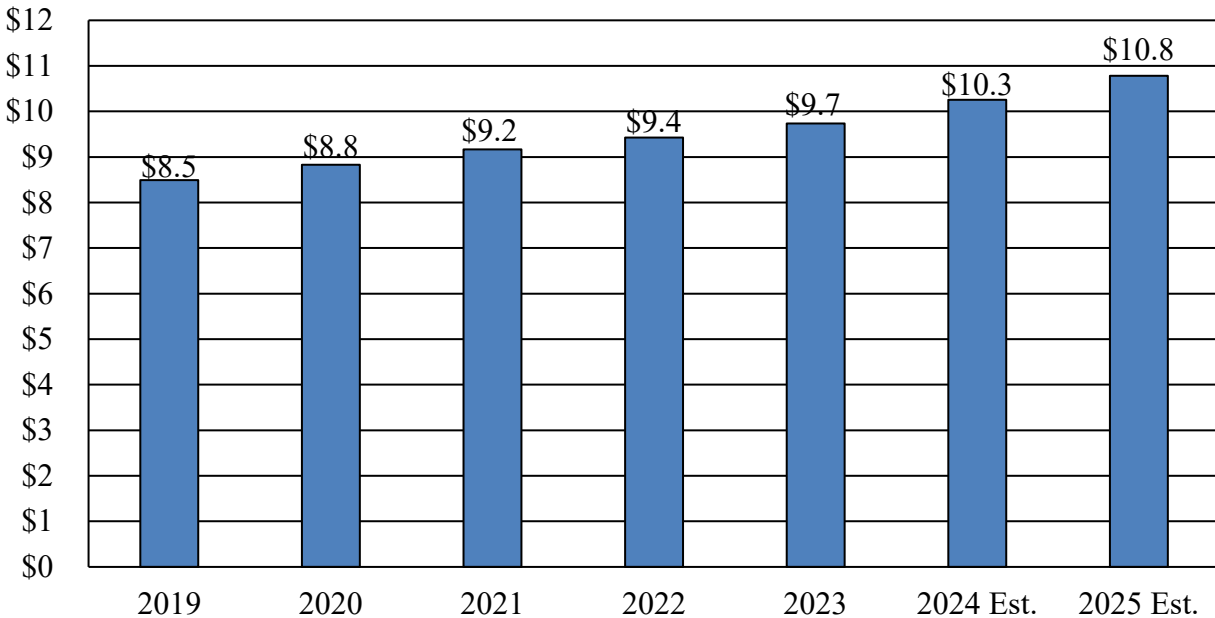
Budget Reconciliation and Financing Act

Increase in Local Share of Property Valuation Expenditures

Section 2-106 of the Tax-Property Article details the county-state cost-sharing agreement for costs associated with real property valuation, business personal property valuation, and SDAT's Office of Information Technology. This statute requires local jurisdictions to reimburse the State for 50% of these costs. A provision in the BRFA changes the county-State cost share associated with these programs to be 90/10. The cost shift will result in estimated general fund savings of \$21,231,952 in fiscal 2026. However, the allowance provides a general fund reduction of only \$20,900,392 and an equivalent special fund appropriation due to increased reimbursements from local jurisdictions. This discrepancy exists because an incorrect calculation determined the \$20.9 million fund swap in the allowance. The Department of Legislative Services (DLS) calculated general fund savings of \$21,231,952 based on the provisions in the BRFA. SDAT indicates the \$21,231,952 calculation is correct. **Appendix 5** shows the reimbursement cost increases for each county under the proposed county-State 90/10 cost split as calculated by DLS. **SDAT and the Department of Budget and Management (DBM) should introduce a supplemental budget item to correct the contingent general fund reduction to \$21,231,952 and special fund appropriation to \$21,231,952.**

While property tax revenues are a relatively minor revenue source to the State, the State has assumed responsibility for the valuation and assessment of property. Local governments, on the other hand, levy and collect property taxes. **Exhibit 6** shows the total property tax revenue among all counties and Baltimore City from fiscal 2019 to 2025 estimated. From fiscal 2019 to 2023, total actual property tax revenue increased by \$1.25 billion (14.7%). From fiscal 2023 to 2025, it is estimated that total property tax revenue will increase at a faster rate over the two-year period, growing by \$1.04 billion (10.7%).

Exhibit 6
Total Property Tax Revenue for All Counties and Baltimore City
Fiscal 2019-2025 Estimated
(\$ in Billions)



Source: Department of Legislative Services

Phase-out of the Enterprise Zone Tax Credit Program

The Enterprise Zone Tax Credit Program is intended to encourage economic growth within economically distressed areas of the State and to increase employment of the chronically unemployed. Businesses located within an enterprise zone are eligible for local property tax credits and State income tax credits. Real property tax credits are 10-year credits against local real property taxes on a portion of the qualifying real property improvements in the enterprise zone. The income tax credit is based on wages paid to newly hired employees and can be taken over a one- to three-year period.

The BRFA includes a provision that phases out the enterprise zone property tax credit by prohibiting new properties from qualifying or being awarded tax credits after June 30, 2025. It also repeals the enterprise zone income tax credit, effective June 1, 2025. The fiscal 2026 budget as introduced includes a \$7,241,614 general fund reduction, contingent on the enactment of this BRFA provision. Since the property tax credits last up to 10 years and cannot be renewed, the funds needed for the credits decrease each year before reaching zero. **Exhibit 7** lists the estimated reduction in general fund expenditures as a result of the pending legislation.

Exhibit 7
Estimated Reduction in General Fund Expenditures for the Enterprise Zone
Tax Credit Program
Fiscal 2026-2030
(\$ in Millions)

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
General Fund Expenditure	-\$7.2	-\$14.5	-\$21.7	-\$29.0	-\$36.2

Source: Department of Legislative Services

Personnel Data

	<u>FY 24</u> <u>Actual</u>	<u>FY 25</u> <u>Working</u>	<u>FY 26</u> <u>Allowance</u>	<u>FY 25-26</u> <u>Change</u>
Regular Positions	570.30	574.30	576.30	2.00
Contractual FTEs	<u>13.20</u>	<u>9.20</u>	<u>13.20</u>	<u>4.00</u>
Total Personnel	583.50	583.50	589.50	6.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	30.09	5.24%
Positions and Percentage Vacant as of 12/31/24	30.00	5.22%
Vacancies Below Turnover	0.09	

- The fiscal 2026 allowance provides 2 new regular positions within SDAT, including 1 contractual conversion. Both new positions are in the Office of Information Technology.
- Vacancies decreased from 37 positions (6.49%) as of January 2024, to 30 positions (5.22%) as of December 31, 2024. This brings SDAT closely aligned with the 30.09 vacant positions that are necessary to meet budgeted turnover in fiscal 2026. Of the 30 vacancies in December 2024, 4 (13%) have been vacant for more than one year.

Issues

1. Real Property Assessor Vacancies Improve

High turnover for real property assessor positions has troubled SDAT for many years, primarily due to competitive salaries for similar positions in nearby states. The lack of assessors has impacted the timeliness of property assessment appeal hearings held by the Property Tax Assessment Appeals Board, which contributed to a backlog of cases due to the need for property assessors at appeals hearings. In response to language in the fiscal 2025 Budget Bill restricting \$50,000 in general funds pending a report regarding vacancies and staffing in the Real Property Valuation program, the language allowed for the withheld funds to be released in \$25,000 increments following the submission of each report, and the first increment of \$25,000 was released in October 2024. SDAT submitted the second of two required reports on December 20, 2024.

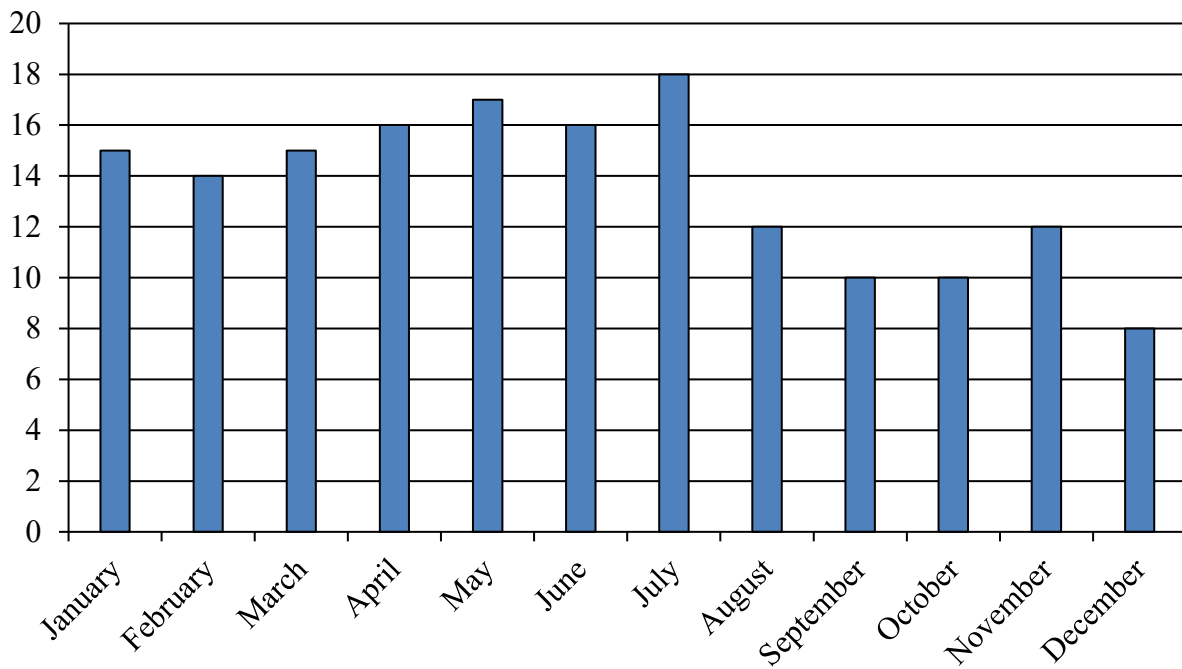
SDAT responded to most of the following information requests from the fiscal 2025 budget language:

- ***The Number of Employees in the Program That Have Left State Service (by Employee Class Title and Jurisdiction):*** 14 employees left the program between July 1, 2024, and December 31, 2024;
- ***The Number of New Hires (by Employee Class Title and Jurisdiction):*** 17 assessor, 6 administrative, and 1 supervisor positions were filled;
- ***The Number of Positions Posted:*** 30 job postings were created;
- ***The Number of Qualifying Applicants Received in Response to Each Posting:*** an average of 23 qualifying applicants per posting;
- ***The Length of Time from the Posting of Each Position to the Acceptance of an Offer of Employment:*** there was an average of 94 days between the posting of a position and an offer of employment;
- ***The Amount of Time It Takes for the Average Hire to Finish the Training and Probationary Period:*** one year for assessors, 6 months for administrative staff, and 31 days for the supervisor;
- ***The Average and Median Salaries for Listed Positions:*** not included with SDAT's submission; and
- ***Average and Median Salaries for Comparable Positions in Surrounding States:*** not included with SDAT's submission.

Upon review, DLS determined the report to be in compliance with the budget language and therefore recommends that the remaining \$25,000 in withheld general funds be released and will process a letter to this effect if no objections are raised by the subcommittees.

As shown in **Exhibit 8**, SDAT reduced the number of vacancies among real property assessor positions in calendar 2024 as vacancies dropped significantly after July 2024. The number of vacancies peaked at 18 in July 2024 before falling to 8 as of December 31, 2024.

Exhibit 8
Real Property Assessor Vacancies by Month
Calendar 2024



Source: Department of Budget and Management

Beginning in July 2024, an annual salary review and other salary increases provided in the fiscal 2025 budget took effect. As seen in **Exhibit 9**, minimum assessor salaries increased between \$0 and \$4,331, and maximum salaries increased between \$3,256 and \$11,456. SDAT indicates these salary changes are the reason for decreased vacancies and that salary enhancements will also positively impact employee retention. **DLS recommends adopting committee narrative requesting that SDAT submit two reports to the budget committees on the vacancy rates for its real property assessor positions.**

**Exhibit 9
Minimum and Maximum Salaries Before and After the Salary Review
Fiscal 2025**

<u>Position Title</u>	<u>Minimum Salary Before ASR</u>	<u>Minimum Salary After ASR</u>	<u>Difference</u>	<u>Maximum Salary Before ASR</u>	<u>Maximum Salary After ASR</u>	<u>Difference</u>
Assessor I Real Property	\$50,392	\$50,392	\$0	\$80,551	\$83,807	\$3,256
Assessor II Real Property	53,627	53,627	0	85,951	89,425	3,474
Assessor III Real Property	53,627	57,095	3,468	85,951	95,449	9,498
Assessor Advanced Real Property	57,095	60,801	3,706	91,742	101,897	10,155
Assessor I Commercial and Industrial	57,095	60,801	3,706	91,742	101,897	10,155
Assessor II Commercial and Industrial	60,801	64,828	4,027	97,940	108,780	10,840
Assessor Supervisor Real Property	60,801	64,828	4,027	97,940	108,780	10,840
Assessor Advanced Commercial and Industrial	64,828	69,159	4,331	104,555	116,011	11,456
Assessor Manager Real Property	64,828	69,159	4,331	104,555	116,011	11,456
Assessor Supervisor Commercial and Industrial	64,828	69,159	4,331	104,555	116,011	11,456

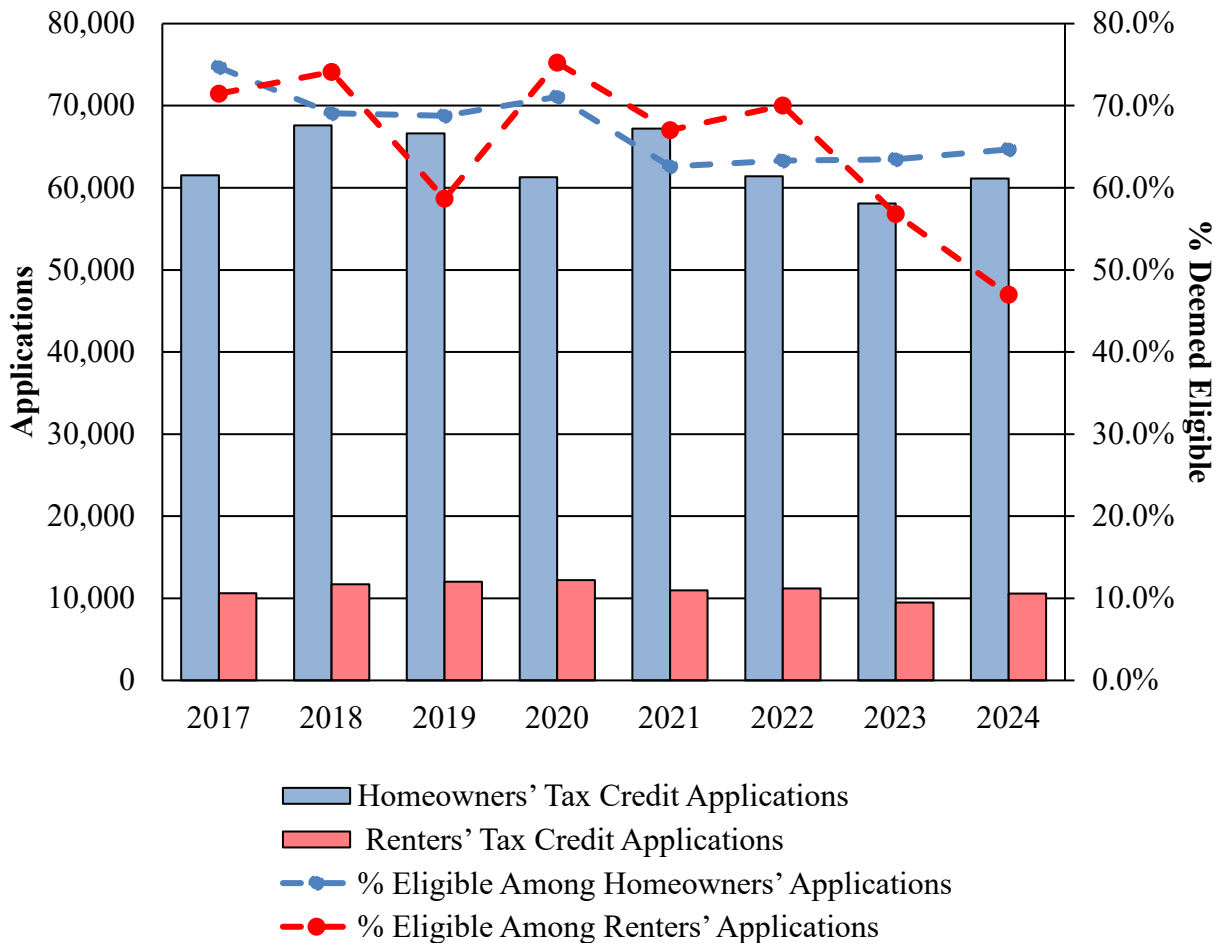
ASR: annual salary review

Source: State Department of Assessments and Taxation

2. Homeowners’ and Renters’ Tax Credit Programs

SDAT is required to work with the Comptroller to determine which homeowners may be eligible for a tax credit program and communicate with homeowners about the tax credit. As shown in **Exhibit 10**, from fiscal 2023 to 2024, the number of HTC applications increased by 5.3%, and the percentage of eligible applications increased by 1.2% for a total of 64.7%. From fiscal 2023 to 2024, the number of RTC applications increased by 11.6%, and the percentage of eligible applications decreased by 9.8% for a total of 47.0%.

Exhibit 10
Homeowners’ and Renters’ Tax Credit Applications and Eligibility Rate
Fiscal 2017-2024

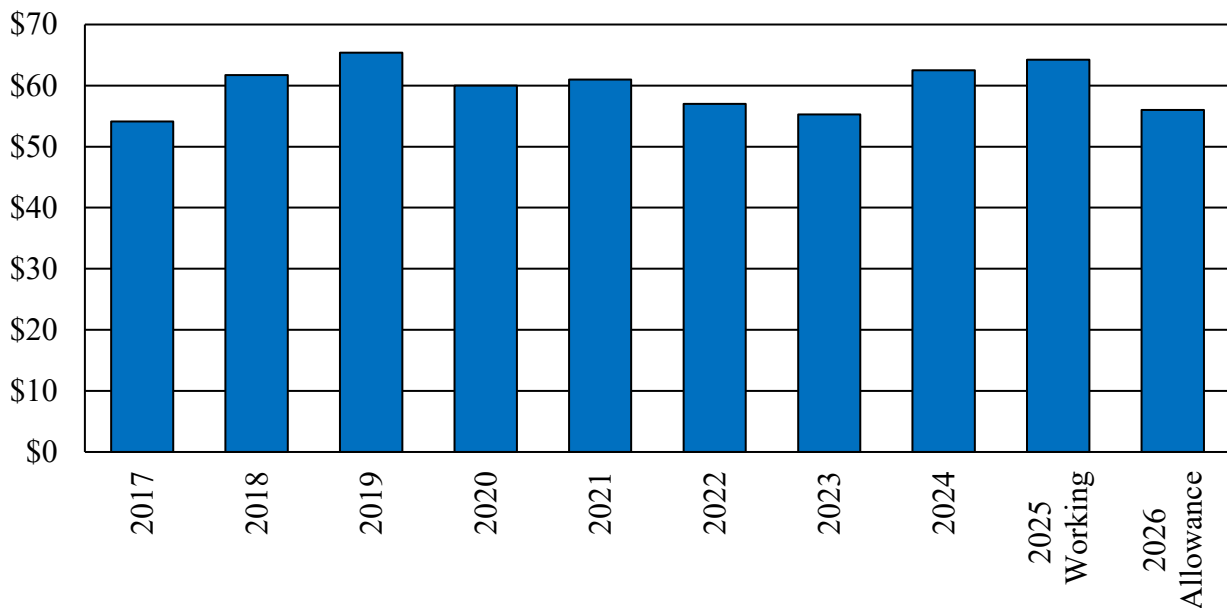


Source: Department of Budget and Management; State Department of Assessments and Taxation

Eligibility guidelines for both credits are set in statute. SDAT has noted that one long-term factor influencing eligibility levels could be that the income threshold determining eligibility trails behind wage and salary inflation, leading to a gradual decrease in the share of eligible applicants. As of January 2025, the eligibility requirements for the HTC had been in place for over 18 years with RTC eligibility requirements in place for over 7 years.

Exhibit 11 shows HTC spending from fiscal 2017 to the 2026 allowance. Tax credit utilization experienced a downward trend from fiscal 2021 to 2023 before increasing to \$60 million in fiscal 2024. The fiscal 2025 budget initially provided only \$48 million for the HTC based on fiscal 2023 actual spending, but a proposed deficiency appropriation increases the working appropriation by \$16.3 million to \$64.3 million. The fiscal 2026 allowance of \$56 million places HTC spending lower than actual fiscal 2024 spending, despite the recent increases in HTC applications and percentage of eligible applications. **SDAT should discuss whether the fiscal 2026 allowance for HTC is adequate based on recent participation trends and projected fiscal 2025 spending.**

Exhibit 11
Homeowners' Tax Credit Utilization
Fiscal 2017-2026 Allowance
(\$ in Millions)

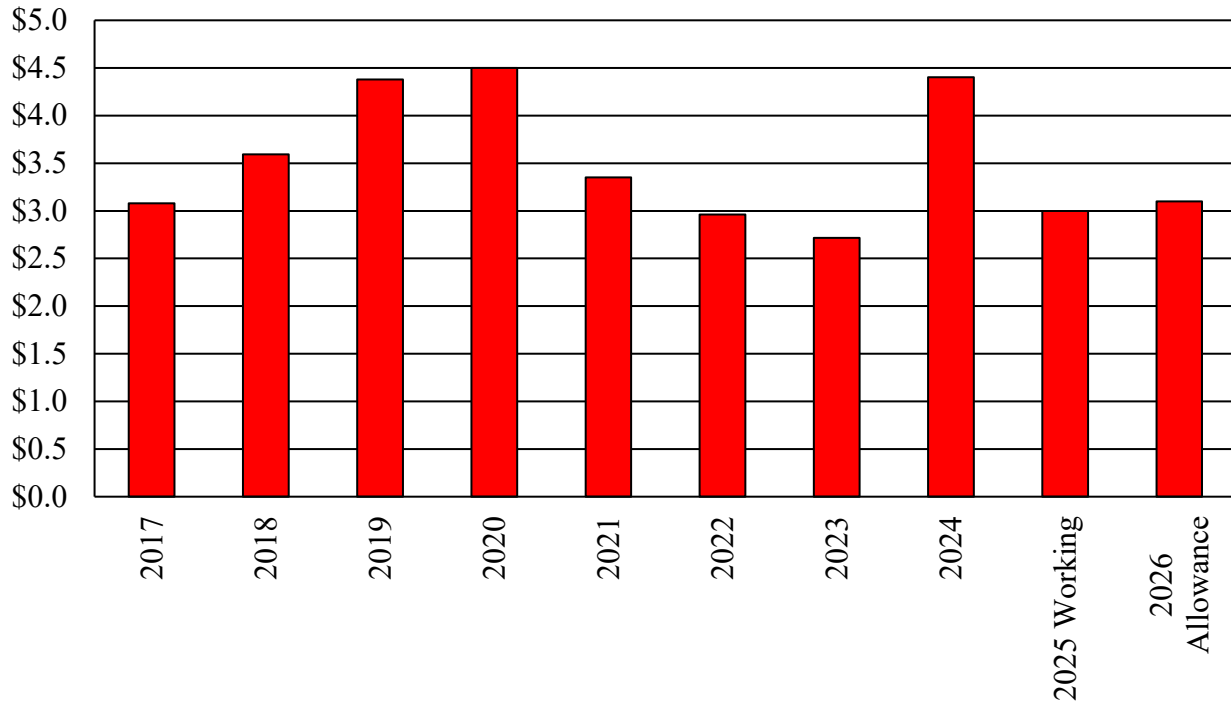


Note: The fiscal 2025 working appropriation includes a deficiency appropriation of \$16.3 million.

Source: Department of Budget and Management; State Department of Assessments and Taxation

Exhibit 12 shows RTC spending from fiscal 2017 to the 2026 allowance. Following a significant decrease in RTC spending from fiscal 2020 to 2021, there was a steady decline from fiscal 2021 to 2023. RTC payments in fiscal 2024 surged to nearly the fiscal 2020 level, increasing by \$1.7 million (63%) from fiscal 2023. RTC spending declines by \$1.4 million (32%) from fiscal 2024 to the 2025 working appropriation due to the negative deficiency withdrawing that amount. The fiscal 2026 allowance for the RTC is essentially level-funded, increasing by \$100,000 compared to the fiscal 2025 working appropriation. **SDAT should comment on why RTC utilization increased significantly in fiscal 2024 and why it is estimated to return to just above fiscal 2023 spending levels in fiscal 2025 and 2026.**

Exhibit 12
Renters’ Tax Credit Utilization
Fiscal 2017-2026 Allowance
(\$ in Millions)



Note: The fiscal 2025 working appropriation includes a negative deficiency appropriation withdrawing \$1.4 million.

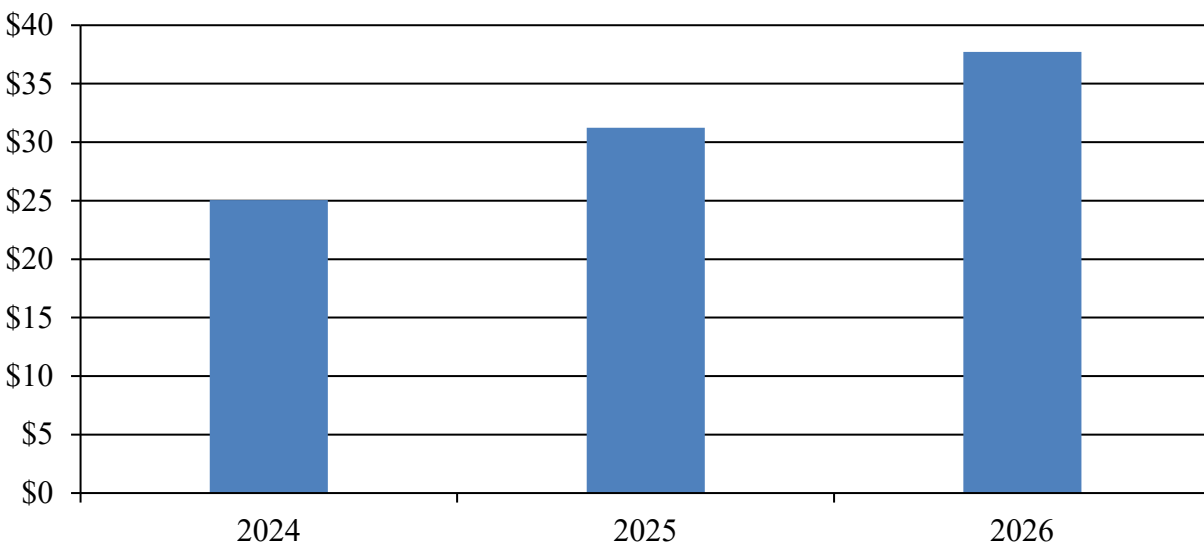
Source: Department of Budget and Management; State Department of Assessments and Taxation

3. Cloud Revenue Integrated System Costs and Staffing

One of SDAT’s two MITDPs funded in the fiscal 2026 allowance is the Cloud Revenue Integrated System (CRIS). CRIS will allow for the redevelopment of mainframe applications onto a cloud-based platform to develop user-centric applications for both internal and external customers. This will streamline customer interactions, such as allowing customers to check on the status of their own applications or receive direct communications from SDAT on their tax returns. CRIS will also replace numerous paper-based processes, allowing for better management and tracking of documents while reducing the risk of data loss.

As shown in **Exhibit 13**, the total funding for the CRIS project has increased by more than \$5 million in each of the past two fiscal years. The total project funding in the fiscal 2026 allowance is \$37.7 million. Staffing was cited as an issue with the project’s progression in fiscal 2024 and that SDAT was working with the Department of Information Technology (DoIT) to address IT vacancies. As of December 31, 2024, SDAT had 2 vacancies in its Office of Information Technology, 1 for a programmer position and 1 for a network specialist position. Despite only 2 vacancies, SDAT indicates that its Office of Information Technology is still struggling due to the following personnel being transferred to DoIT in 2016: 6 network specialists; 1 project manager; 1 webmaster; and 1 deputy director. Additionally, SDAT has stated that project costs have increased due to an expanded scope.

Exhibit 13
Total Project Funding for CRIS in the Governor’s Allowance
Fiscal 2024-2026
(\$ in Millions)



CRIS: Cloud Revenue Integrated System

Source: Department of Budget and Management; State Department of Assessments and Taxation

SDAT should discuss why the estimated costs for CRIS have continued to rise in recent fiscal years, what new scope has been added to the project, the reasons for expanding the scope of the project, and the accuracy of its current total cost estimate of \$36.4 million.

In response to language in the fiscal 2025 Budget Bill restricting \$50,000 in general funds pending a report regarding the status of CRIS and SDAT’s cybersecurity needs, SDAT submitted the second of two required reports on December 20, 2024. The language allows for the withheld funds to be released in \$25,000 increments following the submission of each report, and the first increment of \$25,000 was released in September 2024. SDAT responded to most of the following information requests from the fiscal 2025 budget language, and DBM provided additional vacancy data with the submission of the fiscal 2026 allowance:

- ***A Description of Project Milestones Achieved, Remaining Milestones, and the Overall Project Schedule:*** Appendix 3 lists the status of each component of the project;
- ***The Number of Vacancies Among Staff for the Project and How Long Those Positions Have Been Vacant:*** not included with SDAT’s report, but vacancy data was provided with the fiscal 2026 allowance;
- ***A Description of Actions Taken by SDAT to Fill Vacancies Specified Above:*** not included with SDAT’s report. The fiscal 2026 allowance adds 1 new position and 1 contractual conversion in the Office of Information Technology;
- ***A Discussion of How Any Vacancies Among Staff for the Project Have Affected Project Progression:*** while the number of vacancies was not discussed, SDAT noted a lack of staff has led to five postponements throughout the duration of the project thus far; and
- ***An Update on the Status of Cybersecurity Operations, IT Staffing, and Efforts to Consult and Collaborate with DoIT to Meet Cybersecurity Needs at SDAT:*** SDAT currently has no cybersecurity positions and has engaged in talks with DoIT for their assistance with project management.

Upon review, DLS determined the report to be in compliance with the budget language and therefore recommends that the remaining \$25,000 in withheld general funds be released and will process a letter to this effect if no objections are raised by the subcommittees.

DLS recommends adding language restricting funds in the fiscal 2026 budget for the purpose of administration until SDAT submits two reports updating the committees on the status of the CRIS project.

Operating Budget Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that \$50,000 of this appropriation made for the purpose of administration in the Office of the Director may not be expended until the State Department of Assessments and Taxation (SDAT) submits two reports to the budget committees on the status of the Cloud Revenue Integrated System (CRIS) development project. The reports shall include:

- (1) a description of project milestones achieved, remaining milestones, and the overall project schedule;
- (2) the number of vacancies among staff for the project and how long those positions have been vacant;
- (3) a description of actions taken by SDAT to fill vacancies specified above; and
- (4) a discussion of how any vacancies among staff for the project have affected project progression.

The first report shall be submitted by July 15, 2025, and the second report shall be submitted by December 15, 2025. The budget committees shall have 45 days from the date of the receipt of the second report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the reports are not submitted to the budget committees.

Explanation: There have been ongoing concerns about information technology staffing and delays in the CRIS project. This language restricts funds budgeted for administrative purposes until SDAT submits two reports updating the budget committees on the status of the CRIS project.

Information Request	Author	Due Date
CRIS status reports	SDAT	July 15, 2025 December 15, 2025

2. Adopt the following narrative:

Vacancies Among Assessors in the Real Property Valuation Program: The committees request that the State Department of Assessments and Taxation (SDAT) submits two reports on the status of vacancies within the Real Property Valuation Program. Each report shall include the following information on the two quarters immediately preceding the due date:

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- the number of employees in the program that have left State service (by employee class title and jurisdiction);
- the number of new hires (by employee class title and jurisdiction);
- the number of positions posted;
- the number of qualifying applicants received in response to each posting;
- the length of time from the posting of each position to the acceptance of an offer of employment;
- the amount of time that it takes for the average hire to finish the training and probationary period; and
- the average and median salaries for listed positions.

Information Request	Author	Due Date
Status updates on staffing in the Real Property Valuation Program	SDAT	July 15, 2025 December 15, 2025

Updates

1. December 2023 Property Assessment Notice Mailing Error

Current law requires written notice of an assessed change in value or classification of real property to be mailed to property owners on or before January 1 of each year. The notice provides an updated property value per the most recent assessment, a schedule for phase-in of the newly proposed value over three years, and information on how the property owner may appeal the proposed value within 45 days of the notice. If a notice is not sent by January 30, then there is a presumption that the property value has not changed.

In an effort to provide more information and make the letters easier for property owners to understand, SDAT redesigned its letter template for written notices to be sent out before January 1, 2024. SDAT’s mailing vendor was not able to update their custom software in time to implement the changes in the template and opted to use the mail merge feature in Microsoft Word. Various errors occurred while performing the mail merge that led to approximately 100,000 letters not being mailed by January 1, 2024.

Language in the fiscal 2025 Budget Bill restricted \$500,000 in general funds pending the submission of a report regarding the property assessment mailing error and contract management. In a report submitted on June 18, 2024, SDAT indicated that the mailing error would have caused a potential loss of property tax revenue of approximately \$151.6 million to counties and \$18.4 million to the State if all affected properties reverted to their previous value. However, Chapter 384 of 2024 extended the mailing deadline for reassessment notices to May 1, 2024, allowing the updated property assessments to be used by local governments in preparing property tax bills, which prevented SDAT from facing legal challenges.

To avoid another mailing error, SDAT reported that it intends to incorporate the following recommendations into management of the contract:

- appointment of a dedicated project manager;
- the use of an identification system matching notices to accounts;
- the use of a quality control checklist and notice sampling and review process;
- requesting that the vendor print first by county and then by zip code for easier review; and
- adjusting the vendor contract period to end July 1 to allow time for contract changes before the next reassessment notice deadline.

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As of the report's submission, the mailing vendor identified a contractor prepared to modify the custom software. On August 2, 2024, the budget committees authorized the release of the \$500,000 in withheld general funds.

Appendix 1
2024 Joint Chairmen’s Report Responses from Agency

The 2024 *Joint Chairmen’s Report* (JCR) requested that SDAT prepare three reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Real Property Valuation:*** Language in the fiscal 2025 Budget Bill restricted funds pending the submission of two reports on staffing in the Real Property Valuation program due by July 15, 2024, and December 15, 2024, respectively. The reports were submitted on July 29, 2024, and December 20, 2024. The first increment of \$25,000 was released following the submission of the first report. Further information can be found in Issue 1 of this analysis.

- ***CRIS Status and Cybersecurity Report:*** Language in the fiscal 2025 Budget Bill restricted funds pending the submission of two reports on the development status of CRIS and cybersecurity needs at the agency due July 15, 2024, and December 15, 2024. The reports were submitted on July 12, 2024, and December 20, 2024, and the first increment of \$25,000 was released following the submission of the first report. SDAT reported that it does not have enough IT staff to implement the CRIS system on schedule and that five different delays have occurred. SDAT also stated that it does not have any cybersecurity staffing positions after some of their IT positions were shifted to DoIT. Further information can be found in Issue 3 of this analysis.

- ***Property Assessment Mailing Error and Contract Management:*** Language in the fiscal 2025 Budget Bill restricted funds pending the submission of a report regarding the property assessment notice mailing error that occurred in December 2023. The report was due July 1, 2024, and was submitted on June 18, 2024. The \$500,000 in withheld general funds was released following submission of the report. SDAT reported that it would delegate a project manager and incorporate more oversight mechanisms into the contract with its mailing vendor that would ensure proper quality control and verification that assessment notices were mailed correctly.

**Appendix 2
Audit Findings**

Audit Period for Last Audit:	March 25, 2019-August 31, 2022
Issue Date:	September 2024
Number of Findings:	10
Number of Repeat Findings:	2
% of Repeat Findings:	20%
Rating: (if applicable)	n/a

Finding 1: SDAT was not reviewing the results of certain data matches that identified potential changes in property ownership and improper HSTs and was not using independent records of rental properties to identify and investigate potentially improper credits. The Office of Legislative Audits’ review of both the match results and certain rental property records disclosed property owners who were receiving improper credits.

Finding 2: Determination of HST eligibility for numerous properties remained in pending status for extended periods without timely investigation and resolution, resulting in HSTs being applied to potentially ineligible properties.

Finding 3: SDAT did not have formal procedures to notify local taxing authorities of ineligible HST recipients so that they could assess any property taxes due in accordance with State law.

Finding 4: **SDAT did not perform timely audits of HTC applications and did not ensure local jurisdictions recovered and remitted HTCs from homeowners that transferred their properties.**

Finding 5: HTCs recovered and remitted to SDAT by local jurisdictions were not recorded when received or deposited in a timely manner.

Finding 6: SDAT has not taken sufficient action to refund \$786,000 in HTCs due to certain homeowners for tax years 2017 to 2019.

Finding 7: **SDAT did not obtain available Comptroller of Maryland records to help identify potential businesses that failed to register with SDAT and file personal property returns.**

Finding 8: SDAT did not verify the propriety of charges related to technology enterprise services received from DoIT during fiscal 2020 through 2023, which were valued at \$7.7 million.

Finding 9: Redacted cybersecurity-related finding.

Finding 10: Redacted cybersecurity-related finding.

*Bold denotes item repeated in full or part from preceding audit report.

Appendix 3
Cloud Revenue Integrated System Funding
Major Information Technology Development Project
State Department of Assessments and Taxation

Further discussion of this MITDP can be found in Issue 3 of this analysis.

New/Ongoing: Ongoing								
Start Date: Fiscal 2018					Est. Completion Date: Fiscal 2030			
Implementation Strategy: Agile								
(\$ in Millions)	Prior Year	2025	2026	2027	2028	2029	Remainder	Total
GF	\$1.798	\$0.050	\$0.050	\$0.000	\$0.000	\$0.000	\$0.000	\$1.898
SF	9.324	5.944	9.036	4.626	2.126	1.445	0.000	35.814
FF	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	\$11.122	\$5.994	\$9.086	\$4.626	\$2.126	\$1.445	\$0.000	\$37.712

- Project Summary:** CRIS will allow for the migration and redevelopment of mainframe applications onto a cloud-based platform to develop user-centric applications for both internal and external customers. This will streamline customer interactions by allowing them to check on the status of their own applications as well as receive direct communication from SDAT. There are two distinct components of the CRIS project. The first involves the RTC, HTC, HST, and HPP (parts 1 through 4), which will make the application and review process more efficient. The second involves the Maryland Business Entity System (MBES) (parts 5 and 6), which will make it easier for business owners to submit and manage their required filings with the State.
- Need:** SDAT historically operated using manual, paper-based processes. This increases the risk of data loss in a disaster or errors when manually transferring the data to the current mainframe system. As individuals from the department retire, there is a knowledge gap with newer employees unable to support the legacy system.
- Observations and Milestones:** The RTC, HPP, and HST (parts 1, 2, and 3, respectively) applications were successfully deployed by February 2024. The HTC component of CRIS is still in development. The MBES portion is still in the procurement phase, and proposals were due on December 20, 2024. This phase is expected to be completed by June 2025.
- Changes:** The project’s total funding has risen by \$6,477,031 (20.7%) in the fiscal 2026 allowance compared to fiscal 2025, increasing from \$31,235,053 to \$37,712,084.
- Concerns:** The anticipated costs of the project have increased substantially in each of the last two fiscal years.

- **Other Comments:** As shown in the table, SDAT provided an updated project status chart in its December 20, 2024, CRIS status report.

**Cloud Revenue Integrated System Project Status
December 2024**

Formal Name	Specific Name	Procurement	Development	Deployment	Final Transfer
CRIS Part 1	Renters Tax Credit "RTC"	Completed	Completed	Completed	No estimate
CRIS Part 2	Homeowners Protection Program "HPP"	Completed	Completed	Completed	No estimate
CRIS Part 3	Homestead Tax Credit "HST"	Completed	Completed	Completed	No estimate
CRIS Part 4	Homeowners Tax Credit "HTC"	Completed	In-Process	Three Unfinished Components	No estimate
CRIS Part 5	Maryland Business Entity System (MBES) Proof-of-Concept	In-Process with TORFP proposals due from offerors 12/20/24, 4:00 pm	No estimate	No estimate	No estimate
CRIS Part 6	Maryland Business Entity System (MBES) Modernization (Mainframe Transition)	Not Started	No estimate	No estimate	No estimate

Appendix 4
Maryland Assessment Administration and Valuation System
Major Information Technology Development Project
State Department of Assessments and Taxation

New/Ongoing: Ongoing								
Start Date: Fiscal 2024					Est. Completion Date: Fiscal 2029			
Implementation Strategy: Agile								
(\$ in Millions)	Prior Year	2025	2026	2027	2028	2029	Remainder	Total
GF	\$0.000	\$0.550	\$0.350	\$0.000	\$0.000	\$0.000	\$0.000	\$0.900
SF	0.000	1.500	4.600	5.000	1.150	1.371	0.000	13.621
FF	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	\$0.000	\$2.050	\$4.950	\$5.000	\$1.150	\$1.371	\$0.000	\$14.521

- Project Summary:** The Maryland Assessment Administration and Valuation System (MAAVS) is a statewide Computer Assisted Mass Appraisal system, which will be used to maintain records for each parcel of land in the State and value each parcel for ad valorem property taxes. MAAVS will enable field data collection of property data through mobile tablet applications and improve the ability to process tax credit approvals and records. The new system will be able to manage data utilizing international land administration open geospatial data standards, which can then be utilized by local governments for tax billing purposes. MAAVS is expected to be scalable, provide enhanced cybersecurity and privacy controls, and be expandable for potential additional data sets and new technologies such as distributed ledgers (e.g., blockchain) and machine learning or artificial intelligence processes.
- Need:** SDAT indicated that the current IT system is outdated, slow to process data, performs poorly during heavy usage, and does not have a built-in mobile component. Additionally, the system has limited capacity to interface with other systems and has been cited as a reason for employee attrition.
- Observations and Milestones:** A search for a project manager has begun and is anticipated to conclude by the end of March 2025.

Appendix 5
Reimbursement Costs per Local Jurisdiction for SDAT Administrative Costs
Fiscal 2026

<u>County</u>	<u>Current Law (50/50) Total</u>	<u>Proposed (90/10) Total</u>	<u>Difference</u>
Allegany	\$449,953	\$809,916	\$359,963
Anne Arundel	2,513,428	4,524,170	2,010,742
Baltimore City	2,600,688	4,681,238	2,080,550
Baltimore	3,389,960	6,101,928	2,711,968
Calvert	470,725	847,305	376,580
Caroline	174,296	313,732	139,437
Carroll	764,248	1,375,647	611,399
Cecil	548,250	986,850	438,600
Charles	775,012	1,395,022	620,010
Dorchester	237,562	427,612	190,050
Frederick	1,151,196	2,072,152	920,957
Garrett	334,562	602,212	267,650
Harford	1,165,989	2,098,779	932,791
Howard	1,286,020	2,314,836	1,028,816
Kent	140,290	252,523	112,232
Montgomery	3,900,702	7,021,264	3,120,562
Prince George's	3,438,091	6,188,564	2,750,473
Queen Anne's	293,253	527,855	234,602
St. Mary's	551,444	992,600	441,155
Somerset	197,720	355,895	158,176
Talbot	228,032	410,457	182,425
Washington	691,084	1,243,952	552,868
Wicomico	517,111	930,800	413,689
Worcester	720,324	1,296,584	576,260
Total	\$26,539,940	\$47,771,892	\$21,231,952

SDAT: State Department of Assessments and Taxation

Source: Department of Legislative Services

Appendix 6
Object/Fund Difference Report
State Department of Assessments and Taxation

<u>Object/Fund</u>	<u>FY 24</u> <u>Actual</u>	<u>FY 25</u> <u>Working</u> <u>Appropriation</u>	<u>FY 26</u> <u>Allowance</u>	<u>FY 25 - FY 26</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	570.30	574.30	576.30	2.00	0.3%
02 Contractual	13.20	9.20	13.20	4.00	43.5%
Total Positions	583.50	583.50	589.50	6.00	1.0%
Objects					
01 Salaries and Wages	\$ 55,143,944	\$ 54,763,281	\$ 80,020,695	\$ 25,257,414	46.1%
02 Technical and Special Fees	855,123	451,488	700,859	249,371	55.2%
03 Communication	1,132,100	1,217,879	1,393,388	175,509	14.4%
04 Travel	148,758	183,504	199,135	15,631	8.5%
06 Fuel and Utilities	39,235	35,974	39,235	3,261	9.1%
07 Motor Vehicles	123,178	189,991	206,363	16,372	8.6%
08 Contractual Services	10,657,618	15,446,739	23,836,068	8,389,329	54.3%
09 Supplies and Materials	197,475	171,050	192,710	21,660	12.7%
10 Equipment – Replacement	17,463	167,240	274,867	107,627	64.4%
11 Equipment – Additional	2,424,429	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	93,894,561	80,500,867	87,381,367	6,880,500	8.5%
13 Fixed Charges	2,302,934	2,649,154	2,818,399	169,245	6.4%
Total Objects	\$ 166,936,818	\$ 155,777,167	\$ 197,063,086	\$ 41,285,919	26.5%
Funds					
01 General Fund	\$ 126,946,199	\$ 113,156,296	\$ 122,851,779	\$ 9,695,483	8.6%
03 Special Fund	39,990,619	42,620,871	74,211,307	31,590,436	74.1%
Total Funds	\$ 166,936,818	\$ 155,777,167	\$ 197,063,086	\$ 41,285,919	26.5%

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.

**Appendix 7
Fiscal Summary
State Department of Assessments and Taxation**

<u>Program/Unit</u>	<u>FY 24 Actual</u>	<u>FY 25 Wrk Approp</u>	<u>FY 26 Allowance</u>	<u>Change</u>	<u>FY 25 - FY 26 % Change</u>
00 State Department of Assessments and Taxation	\$ 166,936,818	\$ 155,777,167	\$ 197,063,086	\$ 41,285,919	26.5%
Total Expenditures	\$ 166,936,818	\$ 155,777,167	\$ 197,063,086	\$ 41,285,919	26.5%
General Fund	\$ 126,946,199	\$ 113,156,296	\$ 122,851,779	\$ 9,695,483	8.6%
Special Fund	39,990,619	42,620,871	74,211,307	31,590,436	74.1%
Total Appropriations	\$ 166,936,818	\$ 155,777,167	\$ 197,063,086	\$ 41,285,919	26.5%

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.