

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 915 (Senator Guzzone)
 Budget and Taxation

Real Property Tax - Assessment Appeals Process

This bill requires the supervisor of assessments and the Property Tax Assessment Appeals Boards (PTAAB) to hold hearings on specified appeals no later than 90 days after receiving the appeal.

The bill takes effect January 1, 2018.

Fiscal Summary

State Effect: General fund expenditures increase by \$295,100 in FY 2018 for additional staff and overtime costs at the State Department of Assessments and Taxation (SDAT) and PTAAB. Future years reflect annualization and ongoing operating costs.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	295,100	289,200	221,200	231,600	242,500
Net Effect	(\$295,100)	(\$289,200)	(\$221,200)	(\$231,600)	(\$242,500)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill requires a hearing on an appeal to a supervisor of assessments concerning the value or classification of real property to occur no later than 90 days after SDAT received the appeal. However, the appeal may occur on a later date if the supervisor and the person who has appealed the value or classification agree to the later date.

If an appeal is filed or if a petition for review is filed, the supervisor must give written notice of the final value or classification determined by the supervisor to the person who has appealed or filed a petition for review no later than 30 days after the appeal hearing.

If SDAT fails to timely provide the notice of final value or classification (1) the person who has appealed or filed a petition for review may immediately appeal the value or classification stated to PTAAB and (2) the value of the real property will remain the same as the value of the property before the issuance of the assessment until the PTAAB makes a decision.

The bill requires PTAAB to hold a hearing within 90 days of receiving a request for an appeal. PTAAB must send an order or notice of assessment to the person making the appeal no later than 30 days after making the appeal.

Current Law: The assessment appeal process typically begins with an appeal of the notice of assessment. These notices are mailed in late December, and an appeal may be filed with the supervisor of assessments within 45 days of the date of the notice; for properties that transfer after January 1 but before the beginning of the taxable year, the new owner has 60 days from the date of transfer to file an appeal regarding the property value or classification. Following that appeal, the property owner receives a final notice. If the taxpayer is not satisfied with the outcome, the next appeal must be made to PTAAB within 30 days from the date of the final notice. A further appeal may be taken to the Maryland Tax Court (MTC) within 30 days of receiving notice from the board. Any further appeals are made through the judicial system, including the circuit court, the Court of Special Appeals, and the Court of Appeals.

Appeals of property values may also be filed with the supervisor outside of the regular assessment cycle. Appeals may also be filed by persons who have purchased property between January 1 and June 30. Such appeals must be made within 60 days of the purchase.

Chapter 487 of 2016 requires a supervisor of assessments or the supervisor's designee to hold a hearing on a written appeal of a change in the value or classification of property that is transferred to a new owner by the later of (1) 90 days after receiving the written appeal or (2) 90 days after the deed evidencing the transfer is recorded.

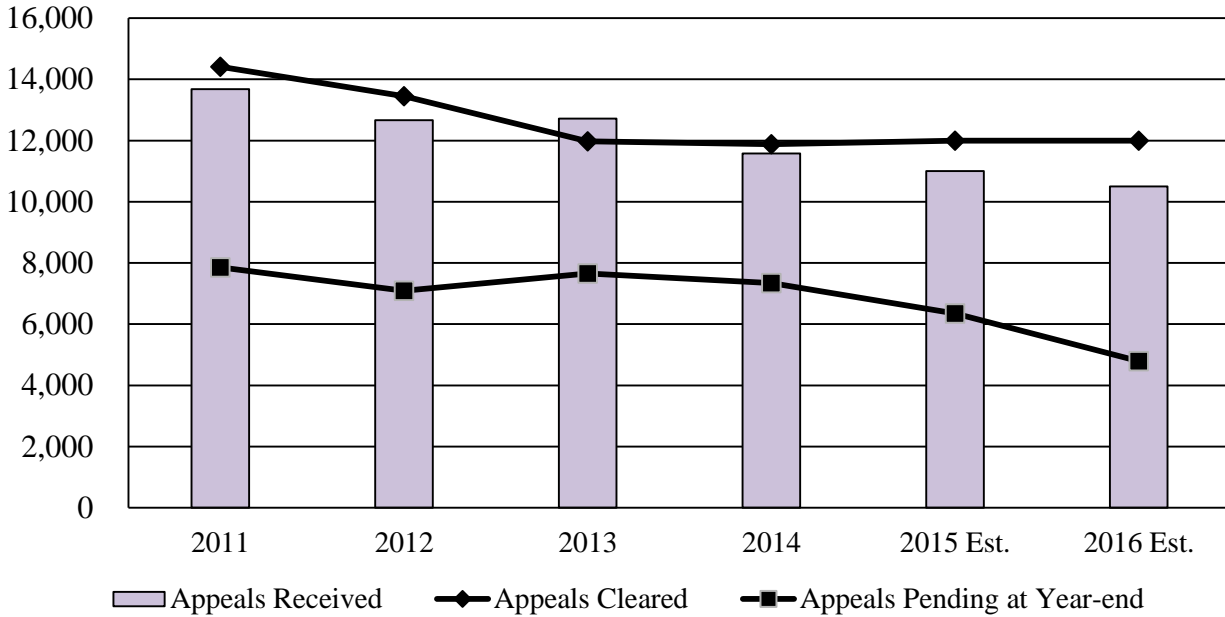
Background: Real property is valued and assessed once every three years. This approach, the triennial assessment process, was part of major property tax reform established in 1979. Under this process, assessors from SDAT physically inspect each property every three years. No adjustments are made in the interim, except in the case of (1) a zoning change; (2) a substantial change in property use; (3) extensive improvements to the property; or (4) a prior erroneous assessment. The assessor determines the current full market value of the property and any increase in value is phased in over a three-year period. Any decrease, however, is recognized immediately for assessment purposes.

PTAABs across the State hear appeals relating to the assessment of property. There is one board in each county and Baltimore City, all of which are supported by a central office and executive director. Each board has four or six members (three members and one or three alternates) who are appointed by the Governor for five-year terms. The first appeals of assessments are conducted by SDAT, which also makes those initial assessments. PTAAB hears second-tier appeals from SDAT decisions, and PTAAB decisions are appealed to MTC. Further appeals may be made through the judicial system.

PTAAB has the following goals: (1) to conduct appeals in a timely and efficient manner; and (2) to render fair and accurate decisions. As shown in **Exhibit 1**, PTAAB reports that 1,150 fewer appeals were filed in calendar 2014, a 9% decrease. The number of cases cleared, however, held steady, resulting in an increase in clearance rate of 9 percentage points from 94% to 103% and reducing the total backlog by approximately 305 cases. Clearance rates dropped 12 percentage points from calendar 2012 to 2013, with PTAAB clearing 1,471 fewer cases. As the real estate market continues to improve and fewer property owners challenge property tax assessments, PTAAB anticipates that the number of new appeals will decline further.

The other primary goal for PTAAB is to render fair and accurate decisions, as measured by the percentage of decisions appealed to MTC and the percentage of those decisions that are reversed. As shown in **Exhibit 2**, 10% of PTAAB decisions were appealed to MTC in calendar 2014, up from 8% in calendar 2012 and 2013. Of those cases, though, only 11% were reversed by MTC. This is a significant drop from the 28% reversal rate in calendar 2013.

**Exhibit 1
Efficiency Measures
Calendar 2011-2016 Est.**



Source: Department of Budget and Management

**Exhibit 2
Appeals of PTAAB Decisions to MTC
Calendar 2011-2016 Est.**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 Est.</u>	<u>2016 Est.</u>
Appeals Filed with Tax Court	9%	8%	8%	10%	10%	10%
Appeals Reversed by Tax Court	10%	15%	28%	11%	20%	10%

PTAAB: Property Tax Assessment Appeals Boards
MTC: Maryland Tax Court

Source: Department of Budget and Management

State Fiscal Effect:

State Department of Assessments and Taxation

SDAT advises that the department typically receives between 25,000 and 30,000 assessment appeals between January 1 and February 13 each year. Approximately 9,000 of these appeals are in Baltimore City.

SDAT advises that between January through May when appeals are heard at the supervisor level, in order to comply with the requirements of the bill and to maintain the department's level of quality in providing fair appeals, assessors will have to work additional hours. As a result, general fund expenditures increase by \$41,400 in fiscal 2018. This estimate reflects the cost of 11 assessors each working an additional 8 hours each week, at an hourly overtime rate of \$33.57 for 14 weeks. Future year expenditures reflect increased overtime pay rates. In addition, SDAT advises that managers will need to work an additional 448 hours; managers are not paid overtime, so there is no additional cost to the department.

Property Tax Assessment Appeals Boards

PTAAB advises that the boards currently have 7,438 cases from prior years that will need to be heard prior to being able to meet the 90-day requirement of the bill. Current board members work 6 hours per day and are paid \$25 per hours. Board members cannot work more than 30 hours per week. PTAAB estimates that to eliminate the current backlog of cases, it will take 18 months and require additional hearings in the five metropolitan jurisdictions (Baltimore City and Anne Arundel, Baltimore, Montgomery, and Prince George's counties). This results in additional cost of \$148,800. In addition, PTAAB advises that it will need three contractual clerical staff during this period at an estimated cost of \$86,900 for a total expenditure increase of \$235,700. These additional costs will be spread out over two years: \$157,900 in fiscal 2018; and \$77,800 in fiscal 2019.

Going forward, general fund expenditures increase by an additional \$95,800 in fiscal 2018 (which accounts for the bill's January 1, 2018 effective date) and \$168,700 in fiscal 2019 (which accounts for annualization). This estimate reflects the cost of hiring three office services clerks to assist in the disposition of appeals to comply with the 90-day period required by the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses. PTAAB advises that it may also need to hire additional board members on an as needed basis.

Additional Information

Prior Introductions: None.

Cross File: HB 592 (Delegate M. Washington) - Ways and Means.

Information Source(s): Property Tax Assessment Appeals Boards; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 22, 2017
md/hlb

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