

**Department of Legislative Services**  
 Maryland General Assembly  
 2014 Session

**FISCAL AND POLICY NOTE**

House Bill 832 (Delegate McIntosh, *et al.*)  
 Ways and Means

**Baltimore City - Property Tax - Assessors**

This bill requires the State Department of Assessments and Taxation (SDAT) to employ and assign six additional assessors, to those employed as of June 1, 2014, to conduct specified real property inspections in Baltimore City.

The bill states that it is the intent of the General Assembly that (1) these inspections will result in more accurate information on the condition and attributes of real property in Baltimore City; (2) improved information on real property in Baltimore City will generate additional property tax revenue for Baltimore City and the State; and (3) the additional property tax revenue generated will defray the cost of employing the six new assessors.

The bill takes effect July 1, 2014.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$151,900 in FY 2015 and by \$218,500 in FY 2019. Future year expenditures reflect annualization and inflation. Special fund revenues and expenditures increase by a commensurate amount reflecting the reimbursements from local governments.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
SF Revenue	\$151,900	\$190,600	\$199,400	\$208,700	\$218,500
GF Expenditure	\$151,900	\$190,600	\$199,400	\$208,700	\$218,500
SF Expenditure	\$151,900	\$190,600	\$199,400	\$208,700	\$218,500
Net Effect	(\$151,900)	(\$190,600)	(\$199,400)	(\$208,700)	(\$218,500)

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

**Local Effect:** Local expenditures increase by \$151,900 in FY 2015 and by \$218,500 in FY 2019. Future year expenditures reflect annualization and inflation. Baltimore City revenues are not directly affected.

**Small Business Effect:** Minimal.

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## Analysis

**Current Law:** Under current law, real property is valued and assessed once 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.

**Background:** Under the current three-year assessment cycle, SDAT assesses approximately 700,000 properties each year. As a point of reference, in January 2011, approximately 740,000 assessment notices were sent out for properties assessed during 2010. Staffing at the department’s local assessment offices includes 169 field assessors, 57 supervisory positions, and 131 clerical staff. SDAT uses a variety of assessment techniques including computer modeling, sales analysis, and physical inspections. However, most of SDAT’s current physical inspections are related to new construction and the other factors that trigger an out-of-cycle reassessment.

A December 2013 fiscal compliance audit by the Office of Legislative Audits (OLA) found that SDAT does not perform physical exterior inspections for all properties due for reassessment during the three-year assessment cycle as required by State law. OLA was advised by SDAT that physical inspections of properties, as required by State law, have not been conducted for many years primarily because of staffing shortages. Based on SDAT records, as of fiscal 2012, 152 field assessors were responsible for assessing 2.2 million accounts statewide over the three-year cycle. This staffing level represents a reduction of 78 assessors since fiscal 2002. Consequently, SDAT only performed physical inspections when certain significant events occurred such as when a property was sold during the assessment period, when a new building was constructed or, at a minimum, every nine years.

The report also noted that SDAT received 22 additional assessor positions during fiscal 2013 and 2014, but that those positions were not sufficient to enable the department to comply with the physical inspection requirement.

The audit report can be found at:  
<http://www.ola.state.md.us/Reports/Fiscal%20Compliance/DAT13.pdf>

The Governor's proposed fiscal 2015 State budget includes 15 additional real property assessors (\$685,275), of which 5 are allocated for Baltimore City. SDAT advises that there are currently 17 field assessors in Baltimore City.

**State Fiscal Effect:** SDAT advises that total expenditures will increase by \$303,725 in fiscal 2015, which accounts for a 90-day start-up delay due to the bill's July 1, 2014 effective date. This estimate reflects the cost of hiring six real property assessors to conduct physical inspections of real property in Baltimore City. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	6
Salaries and Fringe Benefits	\$268,145
Operating Expenses	35,580
<b>Total FY 2015 State Expenditures</b>	<b>\$303,725</b>

Chapter 397 of 2011 required the counties and Baltimore City to reimburse SDAT for (1) 90% of the costs of real property valuation; (2) 90% of the costs of business personal property valuation; and (3) 90% of costs incurred by SDAT with regards to information technology in fiscal 2012 and 2013. Beginning in fiscal 2014, the counties and Baltimore City are required to reimburse SDAT for 50% of these costs. Local expenditures are calculated on the basis of each county's share of real property accounts and business personal property as a percentage of the total. As a result, general fund expenditures will increase by \$151,900 in fiscal 2015 and by \$218,500 in fiscal 2019. Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. Special fund revenues and expenditures increase by a commensurate amount reflecting the reimbursements from local governments.

To the extent that the additional assessors provided by the bill result in increased assessments for real property in Baltimore City, State property tax revenues for the Annuity Bond Fund may increase.

**Local Fiscal Effect:** As noted, county governments are required to reimburse SDAT for 50% of the department's costs beginning in fiscal 2014. Based on the expenditures associated with implementing the bill, county expenditures will increase by \$151,900 in fiscal 2015 and by \$218,500 in fiscal 2019. **Exhibit 1** shows the estimated fiscal 2015 expenditures for each county, based on total real property accounts for fiscal 2014.

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**Exhibit 1**  
**County Expenditure Increases**  
**Fiscal 2015**

<b>County</b>	<b>FY 2015 Expenditures</b>
Allegany	\$2,741
Anne Arundel	13,881
Baltimore City	15,628
Baltimore	19,686
Calvert	2,819
Caroline	1,109
Carroll	4,406
Cecil	3,117
Charles	4,215
Dorchester	1,535
Frederick	6,230
Garrett	1,947
Harford	6,483
Howard	6,844
Kent	889
Montgomery	22,198
Prince George's	19,304
Queen Anne's	1,707
St. Mary's	3,211
Somerset	1,136
Talbot	1,401
Washington	3,901
Wicomico	3,076
Worcester	4,397
<b>Total</b>	<b>\$151,863</b>

Source: Department of Assessments and Taxation; Department of Legislative Services

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To the extent that the additional assessors provided by the bill result in increased assessments for real property in Baltimore City, city property tax revenues may increase.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, Baltimore City,  
Department of Legislative Services

**Fiscal Note History:** First Reader - February 25, 2014  
ncs/hlb

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