

Department of Legislative Services  
Maryland General Assembly  
2016 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

Senate Bill 115

(Senator Kasemeyer)

Budget and Taxation

Ways and Means

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Property Tax Assessments - Inspection of Property

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This bill prohibits the State Department of Assessments and Taxation (SDAT) or a local assessment office from using aerial or ground level photography or similar technology when reviewing a real property assessment.

The bill takes effect June 1, 2016.

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Fiscal Summary

**State Effect:** While SDAT can comply with the bill's restrictions with existing resources, the department will not be able to utilize new technology that could potentially lower personnel cost while enhancing the accuracy of assessment records. This may result in a significant amount of foregone State revenues in future years.

**Local Effect:** Prohibiting the use of oblique aerial imaging for real property assessments may result in a significant amount of foregone local revenues in future years.

**Small Business Effect:** None.

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Analysis

**Current Law:** Each year, SDAT is required to value one-third of all real property based on a physical inspection prior to the date of finality. Statute requires that over a three-year period, all properties in the State be appraised based on a physical inspection; however, for practical purposes, this does not always happen, and properties that are not valued by a physical inspection within an assessment cycle are instead valued by various computer modeling methods.

**Background:** In 1959, Chapter 757 created SDAT and the Maryland Tax Court. The creation of these two bodies was in response to long-standing concerns about the existing assessment agency – the State Tax Commission – which served as both an assessing authority and an appellate body that ruled on its own assessments. Concerns continued to exist, however, with respect to enforcing a uniform level of valuation and assessment. Assessment ratio studies are performed annually to evaluate the accuracy and uniformity of property assessments. These assessment ratio studies comparing property assessment values and sales prices repeatedly demonstrated a wide range of assessment ratios among the counties prior to the State takeover of property assessments.

The 1960s were a time of considerable appreciation in suburban property values. This appreciation in value was recognized in sporadic reassessments. For example, some Baltimore County homeowners received 100% assessed value increases in the fall of 1972 because the properties had not been subject to reassessment for 10 years. That same year, a class action suit was brought by property owners from several counties charging that all properties were not being reassessed uniformly.

Responding to mounting concerns and legal challenges to the assessment process, Chapter 784 of 1973 was enacted to require SDAT to assume full cost and supervision of the property assessment function for the entire State. The State's assumption of complete financial responsibility for assessment administration was phased in over a three-year period. The Supervisors of Assessments of the 23 counties and Baltimore City entered State service in 1973. The local assessors became State employees in 1974, followed by the local clerical staffs in 1975. This centralized valuation and assessment system provided the uniformity and consistency in property valuations and assessments sought by Maryland's property owners.

Local governments benefit as well from the centralized system because the State bears some of the cost. Today, as a result of Chapter 397 of 2011, the counties and Baltimore City are required to reimburse SDAT for (1) 50% of the costs of real property valuation; (2) 50% of the costs of business personal property valuation; and (3) 50% of costs incurred by SDAT with regard to information technology. 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 noted, 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 value 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; (4) a prior erroneous assessment; (5) a residential use assessment is terminated; or (6) a subdivision occurs. 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.

**State and Local Fiscal Effect:** Prohibiting the use of oblique aerial imaging for real property assessments may limit the ability for SDAT to utilize new technology that could potentially lower personnel cost while enhancing the accuracy of assessment records. This may result in a significant amount of foregone State and local revenues in future years, based on findings from a pilot program implemented by SDAT in 2014.

SDAT implemented a pilot program using oblique aerial imaging for real property assessments in Anne Arundel and Frederick counties between November 2014 and January 2015. In Anne Arundel County the program reviewed 10,435 properties compared to 4,000 over the same time period in the previous year. In Frederick County, 2,203 properties were reviewed compared to 1,004 in the previous year during the same time period. SDAT reports that the oblique aerial imaging added approximately \$32 million to the assessable base in Anne Arundel County and estimates that as much as \$1.4 billion could be added to the assessable base statewide if oblique aerial imaging was used for real property assessments across the State. SDAT advises that 1,300 counties and five states (Delaware, Massachusetts, Mississippi, Rhode Island, and West Virginia) use oblique aerial imaging for real property assessments through a company named Pictometry. This technology has also been used in several jurisdictions surrounding Maryland, including Fairfax County and Loudoun County in Virginia and the District of Columbia.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Baltimore, Charles, Frederick, and Montgomery counties; Maryland Association of Counties; Property Tax Assessment Appeals Board; State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 1, 2016  
md/hlb Revised - Senate Third Reader - March 29, 2016

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