

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 844

(Delegate Buckel, *et al.*)

Ways and Means

Real Property Tax Rates - Notification to Real Property Taxpayers

This bill modifies specified notification requirements that local jurisdictions must follow regarding the constant yield tax rate. Specifically, the bill requires local jurisdictions to mail a specified notice to each real property taxpayer who resides in the jurisdiction before adopting a real property tax rate that exceeds the constant yield tax rate. The bill also alters the contents of specified information that must be mailed with each real property tax bill. **The bill takes effect June 1, 2022.**

Fiscal Summary

State Effect: None.

Local Effect: County and municipal expenditures for mail notification increase by a significant amount beginning in FY 2023 to the extent local property tax rates are imposed that exceed the constant yield tax rate. Local revenues are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law: The “constant yield” is a concept that, as property values fluctuate, the tax rate would be adjusted so that the revenue derived from the property tax stays at a constant level from year to year, thus assuring a local government a constant yield from its tax source. The constant yield tax rate is the rate that, when applied to the current assessable base, yields the same property tax revenue as in the prior year. Generally, when there is growth in the real property assessable base, the constant yield tax rate is lower than the

existing tax rate. The State Department of Assessments and Taxation determines and notifies all counties and municipalities by February 14 of their constant yield tax rates for the upcoming fiscal year.

Under the constant yield tax rate law, taxing authorities are required to (1) provide information to the public about the constant yield tax rate and the assessable base and (2) hold public hearings regarding proposals to enact a tax rate that is higher than the constant yield rate. A municipality is exempt from the requirements of the constant yield tax rate law if the difference in revenue generated by the current year's tax rate and the constant yield tax rate is less than \$25,000. If a municipality is exempt from the constant yield tax rate law, it is not required to advertise or hold public hearings on the proposed tax rate increase. The municipality may set any tax rate within the limits of its town charter. The department is required to report to the Attorney General any taxing authority that appears to have violated the requirements of this law. Violating jurisdictions must reduce their property tax rates to the constant yield level and must refund all excessive taxes that have been collected.

Information on constant yield property tax rates for county governments can be found in the [Local Government Overview](#) report. A copy of the most recent report is available on the Department of Legislative Services [website](#). In fiscal 2022, 15 county governments (including Baltimore City) that maintained their existing property tax rate from the prior year still exceeded the constant yield rate. Overall, 20 county governments (including Baltimore City) set a property tax rate in excess of the constant yield rate in fiscal 2022.

Local Fiscal Effect: The bill requires a local government to mail a specified notice to real property owners in the jurisdiction if the county or municipality intends to set a real property tax rate that exceeds the constant yield tax rate. As a result, county and municipal expenditures will increase to the extent a jurisdiction sets a real property tax rate that exceeds the constant yield tax rate.

As a point of reference, **Exhibit 1** shows the potential cost for each county government to meet the mailing requirements of the bill. The estimate is based on total real property accounts in each county for fiscal 2022 and a cost of \$0.45 for each mailing. Municipalities will incur additional costs. As stated earlier, most local governments set a local property tax rate that exceeds the constant yield rate. This occurs even when the jurisdiction maintains the existing property tax rate from the prior year. In times of rising property assessments, the constant yield tax rate is lower than the existing property tax rate. As a result, most jurisdictions will incur the notification costs shown in Exhibit 1.

Exhibit 1
Potential Mail Notification Costs for County Governments
Fiscal 2023

County	Real Property Accounts	Mailing Expenses
Allegany	41,299	\$18,585
Anne Arundel	222,015	99,907
Baltimore City	237,335	106,801
Baltimore	302,645	136,190
Calvert	43,010	19,355
Caroline	16,627	7,482
Carroll	68,760	30,942
Cecil	47,772	21,497
Charles	69,350	31,208
Dorchester	23,207	10,443
Frederick	106,063	47,728
Garrett	30,034	13,515
Harford	100,405	45,182
Howard	110,490	49,721
Kent	13,468	6,061
Montgomery	346,357	155,861
Prince George's	303,360	136,512
Queen Anne's	26,442	11,899
St. Mary's	50,593	22,767
Somerset	16,986	7,644
Talbot	21,508	9,679
Washington	59,830	26,924
Wicomico	46,476	20,914
Worcester	65,790	29,606
Total	2,369,822	\$1,066,420

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

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Association of Counties; Maryland Municipal League; State Department of Assessments and Taxation; Department of Legislative Services

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