

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 114

(Senator Hayes)

Budget and Taxation

Ways and Means

Property Tax - Real Property Tax Assessment and Tax Rate Increases - Notice Requirements

This bill repeals public notice requirements when a taxing authority sets a real property tax rate that exceeds the constant yield rate. Instead, a taxing authority is required to provide public notice of increases in the real property tax rate. A taxing authority that intends to increase its real property tax rate must (1) place a public notice in a newspaper of general circulation in the taxing authority's jurisdiction and (2) publish a copy of the notice on the taxing authority's website; or, if the taxing authority does not have a website, post a copy of the notice in a place that is easily accessible to the public. A property taxpayer must be notified of increases in the real property tax rate on their property tax bill. Information about the effect of rising assessments on the amount of taxes owed must be included with assessment notices and property tax bills. **The bill takes effect June 1, 2023.**

Fiscal Summary

State Effect: None.

Local Effect: Potential decrease in local expenditures for public notifications of property tax rate increases. County expenditures may increase in FY 2023 to include specified property tax information on annual property tax bills. Local revenues are not affected.

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 (SDAT) notifies all counties and municipalities by February 14 of their constant yield tax rates for the upcoming fiscal year.

Baltimore City and county governments must set or alter the homestead property tax credit percentage in a taxable year by March 15 and then notify SDAT of any changes. Municipalities must do the same by March 25. The department is authorized to recalculate the constant yield tax rate by April 15 if a county or municipality changes the homestead tax credit percentage. In addition, assessment notices must include a statement that the taxable assessment may change if a county or municipality changes the homestead tax credit percentage and that the final taxable assessment will be stated on the next property tax bill.

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 municipal 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 2023, 19 counties and Baltimore City set a property tax rate that exceeded the constant yield rate. In 17 of these jurisdictions, the property tax rate did not change from the prior fiscal year. In the other jurisdictions, one county (Cecil) set the property tax rate at the constant yield rate and three counties (Harford, Queen Anne's, and Washington) set a property tax rate below the constant yield rate.

Local Fiscal Effect: For fiscal 2023, five counties – Cecil, Harford, Queen Anne's, Washington, and Wicomico – decreased real property tax rates, while Montgomery and Talbot counties increased their rates. Under the bill, only the two counties that increased

their real property tax rate would be required to notify the public of their intention to increase the real property tax rate, compared to 19 counties and Baltimore City that would have been required to notify the public under the constant yield requirements. As a result, local expenditures for public notices are expected to decrease.

County government expenditures may increase in fiscal 2023 in order to include specified property tax rate information on annual property tax bills.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the past three years.

Designated Cross File: None.

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

Fiscal Note History: First Reader - January 17, 2023
km/hlb Third Reader - March 20, 2023
Revised - Amendment(s) - March 20, 2023
Enrolled - May 8, 2023
Revised - Amendment(s) - May 8, 2023

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510