

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 174

(Chair, Ways and Means Committee)(By Request -
Departmental - Assessments and Taxation)

Ways and Means

Budget and Taxation

Property Tax Assessment - Unsuccessful Appeals to Maryland Tax Court - Fee

This departmental bill requires property tax appeals to the Maryland Tax Court regarding an assessment for income-producing property valued at greater than \$5.0 million to be accompanied by a nonrefundable filing fee of \$100 if the Maryland Tax Court does not grant the taxpayer relief on the appeal. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: State revenues increase by approximately \$34,000 annually beginning in FY 2025. Potential increase in administrative expenditures in FY 2025 to modify systems to accept electronic or digital fee payments.

Local Effect: None.

Small Business Effect: The Department of Assessments and Taxation (SDAT) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: Each year, SDAT is required to value one-third of all real property based on an inspection prior to the date of finality. Real property is valued and assessed once every three years. Prior to June 1, 2018, statute required that the assessments be based on a physical inspection; however, Chapter 651 of 2018 repealed the requirement that the department value all real property based on an exterior physical inspection of the real

property. Instead, the department must value real property based on a review of each property in each three-year cycle. The review by the department must include a physical inspection of a property if (1) the value of improvements to the property is being initially established; (2) the value of substantially completed improvements is being established; (3) the property is the subject of a recent sale, and the inspection is deemed necessary by the department for purposes of market analysis; (4) the property owner requests a physical inspection as part of an active appeal; (5) the department is notified by a county finance officer that a substantially completed improvement has been made that adds at least \$1.0 million in value to the property; or (6) the department determines that a physical inspection is appropriate.

In any year of a three-year cycle, real property must be revalued if any of the following factors causes a change in the value of the real property: (1) the zoning classification is changed at the initiative of the owner or anyone having an interest in the property; (2) a change in use or character occurs; (3) substantially completed improvements are made that add at least \$100,000 in value to the property; (4) an error in calculation or measurement of the real property caused the value to be erroneous; (5) a residential use assessment is terminated; or (6) a subdivision occurs.

Any increase in full cash value (market value) is phased in equally over the next three years. All property is assessed at 100% of full cash value.

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 the appropriate appeals board within 30 days from the date of the final notice. A further appeal may be taken to the Maryland Tax Court within 30 days of receiving notice from the board. Any further appeals are made through the judicial system, including the circuit court, the Appellate Court of Maryland, and the Supreme Court of Maryland.

Maryland Tax Court

The Maryland Tax Court is the final administrative appeals entity for decisions of the Comptroller, local property tax assessment appeals boards, and local tax collectors. The court is composed of five judges appointed by the Governor for six-year terms.

Background: There is no fee required in order to appeal a commercial assessment to the Maryland Tax Court. As a result, SDAT reports that many high value commercial

properties tend to appeal their assessments annually, regardless of previous outcomes. As a result, a disproportionate amount of departmental and court resources is spent on these cases compared with other Tax Court appeals.

State Revenues: State revenues increase by approximately \$34,000 annually beginning in fiscal 2025. The estimate is based on a review of appeals with assessments valued at \$5.0 million or more for the past three years (fiscal 2021 through 2023). Based on this review, there were an average of 350 applicable appeals filed with the Maryland Tax Court each year and approximately 10 appeals each year in which the court granted relief to a taxpayer.

State Expenditures: The Maryland Tax Court currently only has a checking account for certain accounts receivable. To the extent that credit card payments or other digital payment methods are needed under the bill, additional technological and/or special equipment expenditures may be required.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 896 of 2023.

Designated Cross File: SB 279 (Chair, Budget and Taxation Committee)(By Request - Departmental - Assessments and Taxation) - Budget and Taxation.

Information Source(s): Maryland Tax Court; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - January 16, 2024
km/hlb Third Reader - March 22, 2024
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Property Tax Assessment – Unsuccessful Appeals to Maryland Tax Court
- Fee

BILL NUMBER: HB 174

PREPARED BY: Bob Yeager

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS