

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 576 (Senator King)
Budget and Taxation

Property Tax - Assessment Appeal Boards and Supervisors - Regional
Organization

This departmental bill reorganizes county assessment offices and supervisors of assessment within the State Department of Assessments and Taxation (SDAT) by establishing eight regional assessment offices. The bill also establishes eight regional Property Tax Assessment Appeals Boards (PTAABs). The bill establishes the membership of the regional PTAABs. The bill prohibits an employee of SDAT from concurrently being a member of a regional PTAAB, serving as the administrator of a regional PTAAB, or being employed as staff for a regional PTAAB. **The bill takes effect January 1, 2025.**

Fiscal Summary

State Effect: General fund expenditures for office leases for SDAT may be affected by a significant amount beginning in FY 2025 depending on new leasing agreements for regional assessment offices. PTAAB expenditures increase by \$494,700 in FY 2025, with future year expenditures increasing by \$844,700 in FY 2026 and \$937,300 in FY 2029, which reflect annualization and inflation.

Local Effect: County expenditures may be affected depending on the new office lease agreements by SDAT.

Small Business Effect: SDAT has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment.

Analysis

Bill Summary: The bill reorganizes SDAT county assessment offices and PTAAB offices by establishing eight regional offices for each agency. The regions are as follows:

- Region 1 – Allegany, Garrett, and Washington counties;
- Region 2 – Carroll and Frederick counties;
- Region 3 – Baltimore City, Baltimore and Harford counties;
- Region 4 – Anne Arundel and Howard counties;
- Region 5 – Montgomery and Prince George’s counties;
- Region 6 – Calvert, Charles, and St. Mary’s counties;
- Region 7 – Caroline, Cecil, Kent, Queen Anne’s, and Talbot counties; and
- Region 8 – Dorchester, Somerset, Wicomico, and Worcester counties.

The bill makes conforming changes to provisions of law for both the SDAT county assessment offices and PTAAB to reflect the new regional structure of each agency.

Current Law/Background: SDAT conducts the assessment of all property in the State. The department performs assessments on one-third of all real property and personal property in the State every year and certifies to the local taxing authorities the assessment of every piece of property. The department operates field offices in each county and Baltimore City. The supervisor of each county’s assessment team is appointed by the Director of SDAT from a list of qualified applicants submitted by the local subdivision.

The proposed fiscal 2025 budget allowance for the county assessment offices total \$45.2 million and includes 429.5 positions for real and business property valuation.

Property Tax Assessment Appeals Board

PTAAB is an independent agency that hears appeals related to the assessment of property in the State. There are 24 boards (1 in each county and Baltimore City), all of which are supported by a central office and executive director. Each board has four to six members (three members and one to three alternatives) who are appointed by the Governor for five-year terms. The first level of assessment appeals is conducted by SDAT, which also makes the initial property tax assessments. PTAAB hears appeals from SDAT decisions; PTAAB decisions can then be appealed to the Maryland Tax Court. Further appeals may be made through the judicial system at the circuit court level.

The fiscal 2025 budget allowance as introduced for PTAAB includes \$1.3 million and eight regular positions and two contractual full-time equivalent positions.

State Fiscal Effect: Establishing eight regional offices for property tax assessment purposes has the potential of increasing (1) the cost of office leases for the county assessment offices; and (2) the number of clerical staff at PTAAB.

State Department of Assessments and Taxation

The Department of General Services (DGS) currently oversees office leases for the 24 county assessment offices, with the cost for the office leases totaling approximately \$2.2 million annually. Ten county assessment offices are located in State-owned buildings leased from DGS at an annual cost of \$466,400. These county assessment offices include Baltimore City, and Anne Arundel, Calvert, Caroline, Cecil, Harford, Howard, Queen Anne's, St. Mary's, and Wicomico counties. In five counties (Dorchester, Garrett, Kent, Talbot, and Worcester), the department leases office space from the county government at an annual cost of approximately \$170,500. In the remaining 9 counties (Allegany, Baltimore, Carroll, Charles, Frederick, Montgomery, Prince George's, Somerset, and Washington), office space is leased through private companies at an annual cost of approximately \$1.6 million. Due to the consolidation of existing staff from multiple jurisdictions into regional offices, SDAT may not be able to utilize the existing office leases and may be required to enter into new leasing agreements at potentially higher costs.

SDAT indicates that current personnel at each of the county assessment offices will relocate to the regional office closest to their current workspace. As a result, the department anticipates no change in overall personnel expenditures resulting from the proposed reorganization.

SDAT reports that consolidating the county assessment offices into regional offices will improve assessment accuracy by allowing for a better allocation of the department's assessor expertise among counties. If assessment accuracy increases, State and local property tax revenues may increase accordingly. However, the department has not conducted a formal feasibility study or cost/benefit analysis on the proposed reorganization of county assessment offices and PTAAB. As a result, DLS is not able at this time to determine the actual fiscal impact of the proposed reorganization and the potential impact on the cost for the department's office leases.

Property Tax Assessment Appeals Board

PTAAB currently has offices in five locations (Baltimore City and Anne Arundel, Baltimore, Montgomery, and Prince George's counties). In addition, the central office is located in Hagerstown (Washington County). Due to the bill's requirement that PTAAB be reorganized into eight regional offices, the agency will be required to find additional office space to handle multiple county hearings.

PTAAB currently has six full-time clerical staff located in 5 jurisdictions (Baltimore City, and Anne Arundel, Baltimore, Montgomery, and Prince George’s counties), which includes two positions in Baltimore City and one position in each of the other counties, plus one open contractual position in each of Montgomery County and Prince George’s County due to the workload in those counties. In the other 19 counties, PTAAB relies on SDAT staff for administrative and clerical support. Because the bill prohibits SDAT employees from being employed as staff for a regional PTAAB, the agency will need to hire additional clerical staff for the new regional offices to accommodate the workload created by combining counties into a region. PTAAB also advises that it may need to operate two boards in Region 3 and Region 5 to handle the volume of cases and to prevent any further backlog of cases in those regions. **Exhibit 1** shows the caseloads, by county, for 2023 as well as the current PTAAB clerical staff and the potential clerical staffing needs resulting from the reorganization as indicated by the agency. DLS notes that the estimated workload for the clerical staff in regions 3 and 5 is much higher than the projected workloads in the other regions. Therefore, the agency may need to reallocate the workload among the various regions.

Exhibit 1
2023 PTAAB Cases and Staff Needs

<u>Region</u>	<u>2023 Cases</u>	<u>Current PTAAB Staff</u>	<u>New Staff</u>
Region 1			
Allegany	42		
Garrett	42		
Washington	128		
Subtotal	212	0	1
Region 2			
Carroll	86		
Frederick	158		
Subtotal	244	0	1
Region 3			
Baltimore City	3,122	2	
Baltimore	1,170	1	
Harford	117		
Subtotal	4,409	3	4

<u>Region</u>	<u>2023 Cases</u>	<u>Current PTAAB Staff</u>	<u>New Staff</u>
Region 4			
Anne Arundel	695	1	
Howard	392		
Subtotal	1,087	1	3
Region 5			
Montgomery	2,037	1	
Prince George's	1,543	1	
Subtotal	3,580	2	4
Region 6			
Calvert	27		
Charles	80		
St. Mary's	56		
Subtotal	163	0	1
Region 7			
Caroline	29		
Cecil	57		
Kent	18		
Queen Anne's	31		
Talbot	13		
Subtotal	148	0	1
Region 8			
Dorchester	123		
Somerset	56		
Wicomico	19		
Worcester	61		
Subtotal	259	0	1
Total	10,102	6	16

PTAAB: Property Tax Assessment Appeals Board

Source: Property Tax Assessment Appeals Board; Department of Legislative Services

As a result of the regional reorganization, PTAAB expenditures may increase by \$494,700 in fiscal 2025, which accounts for a 180-day startup delay and reflects the cost of hiring 10 office secretaries to provide additional administrative support for the regional offices. It includes salaries, fringe benefits, one-time start-up costs, increased office leasing costs, and ongoing operating expenses.

Positions	10
Salaries and Fringe Benefits	\$312,474
Operating Expenses	<u>182,210</u>
Total FY 2025 State Expenditures	\$494,684

Future year expenditures increase by \$844,700 in fiscal 2026 and \$937,300 in fiscal 2029, which reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

Local Fiscal Effect: Counties and Baltimore City are required to reimburse SDAT for 50% of the costs of real property and business personal property valuation as well as 50% of the costs incurred by the department with regard to information technology. Therefore, any impact on the department’s office leasing costs will also affect county reimbursement payments.

Additional Information

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

Designated Cross File: HB 248 (Chair, Ways and Means Committee)(By Request - Departmental - Assessments and Taxation) - Ways and Means.

Information Source(s): Baltimore City; Harford, Montgomery, and Wicomico counties; Maryland Association of Counties; Maryland Tax Court; Property Tax Assessment Appeals Board; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 5, 2024
js/hlb

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Property Tax - Assessment Appeal Boards and Supervisors - Regional Organization

BILL NUMBER: SB0576

PREPARED BY: Bob Yeager

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

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