

# C85E00 Maryland Tax Court

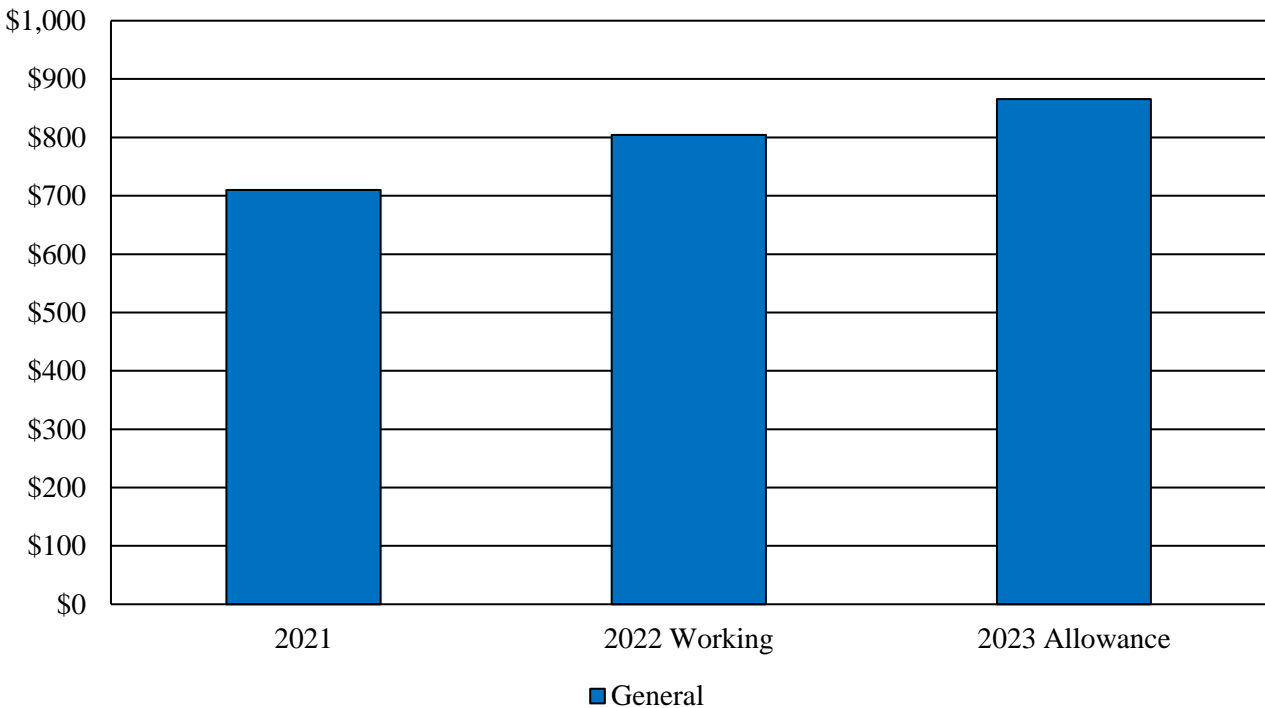
## Program Description

The Maryland Tax Court (MTC) is an independent State agency that provides the highest level of administrative review on the decisions of taxing authorities of Maryland. Decisions of the Comptroller of Maryland, the State Department of Assessments and Taxation (after being heard first by the Property Tax Assessment Appeal Boards), and local collectors are among those appealed to the court. Appeals from MTC are directed to the circuit courts. MTC is composed of five part-time judges appointed for six-year terms by the Governor. MTC's goal is to provide the taxpayer and taxing authority with efficient and fair hearings regarding any tax issue.

## *Operating Budget Summary*

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### Fiscal 2023 Budget Increases \$61,502, or 7.6%, to \$865,936 (\$ in Thousands)



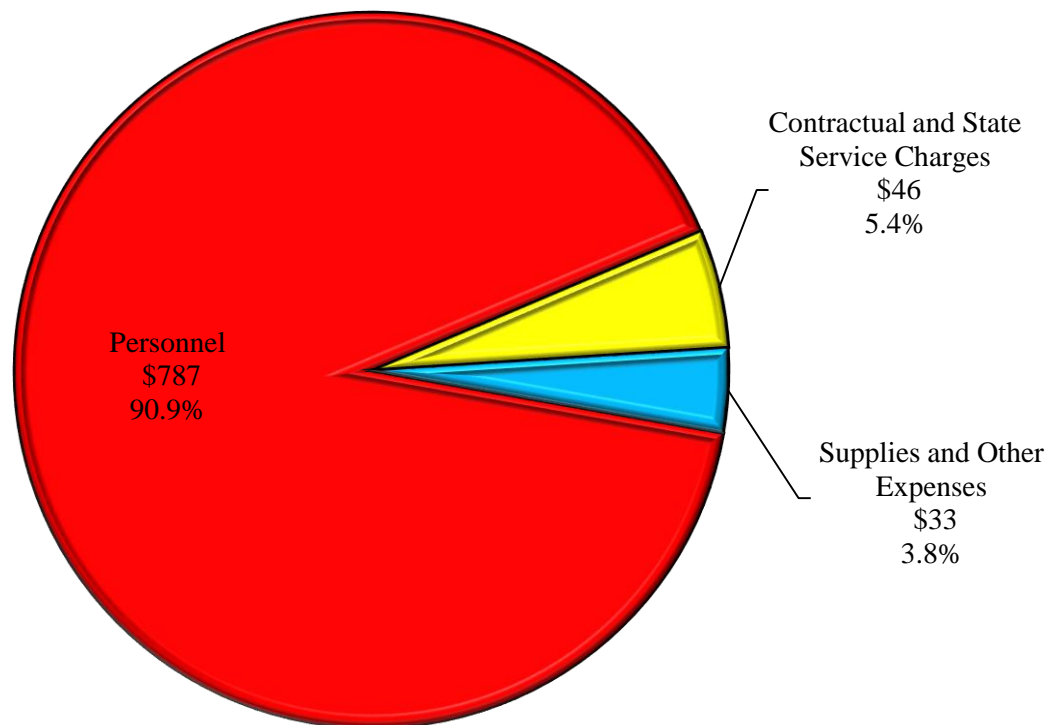
Note: The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

## Fiscal 2023 Overview of Agency Spending

As shown in **Exhibit 1**, the majority (90.9%) of the MTC fiscal 2023 allowance is personnel expenses. Other categories of spending are contractual and State service charges (5.4%) and supplies and other expenses (3.8%).

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**Exhibit 1**  
**Overview of Agency Spending**  
**Fiscal 2023 Allowance**  
**(\$ in Thousands)**



Source: Department of Budget and Management; Department of Legislative Services

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**Proposed Budget Change**

The fiscal 2023 allowance for MTC grows 7.6% over the fiscal 2022 working appropriation, as shown in **Exhibit 2**.

**Exhibit 2  
Proposed Budget  
Maryland Tax Court  
(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Total</b>
Fiscal 2021 Actual	\$710	\$710
Fiscal 2022 Working Appropriation	804	804
Fiscal 2023 Allowance	<u>866</u>	<u>866</u>
Fiscal 2022-2023 Amount Change	\$62	\$62
Fiscal 2022-2023 Percent Change	7.6%	7.6%

<b>Where It Goes:</b>	<b><u>Change</u></b>
<b>Personnel Expenses</b>	
Accrued leave payout .....	\$27
Health insurance .....	19
Retirees’ health insurance premiums .....	13
Employees’ retirement system .....	1
Turnover expectancy .....	-1
<b>Other Changes</b>	
Other adjustments.....	3
<b>Total</b>	<b>\$62</b>

Note: Numbers may not sum due to rounding. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

***Personnel Data***

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	<b><u>FY 21</u></b> <b><u>Actual</u></b>	<b><u>FY 22</u></b> <b><u>Working</u></b>	<b><u>FY 23</u></b> <b><u>Allowance</u></b>	<b><u>FY 22-23</u></b> <b><u>Change</u></b>
Regular Positions	9.00	9.00	9.00	0.00
Contractual FTEs	<u>0.40</u>	<u>0.40</u>	<u>0.40</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>9.40</b>	<b>9.40</b>	<b>9.40</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions		0.02	0.17%
Positions and Percentage Vacant as of 12/31/21		1.00	11.11%
Vacancies Above Turnover		n/a	

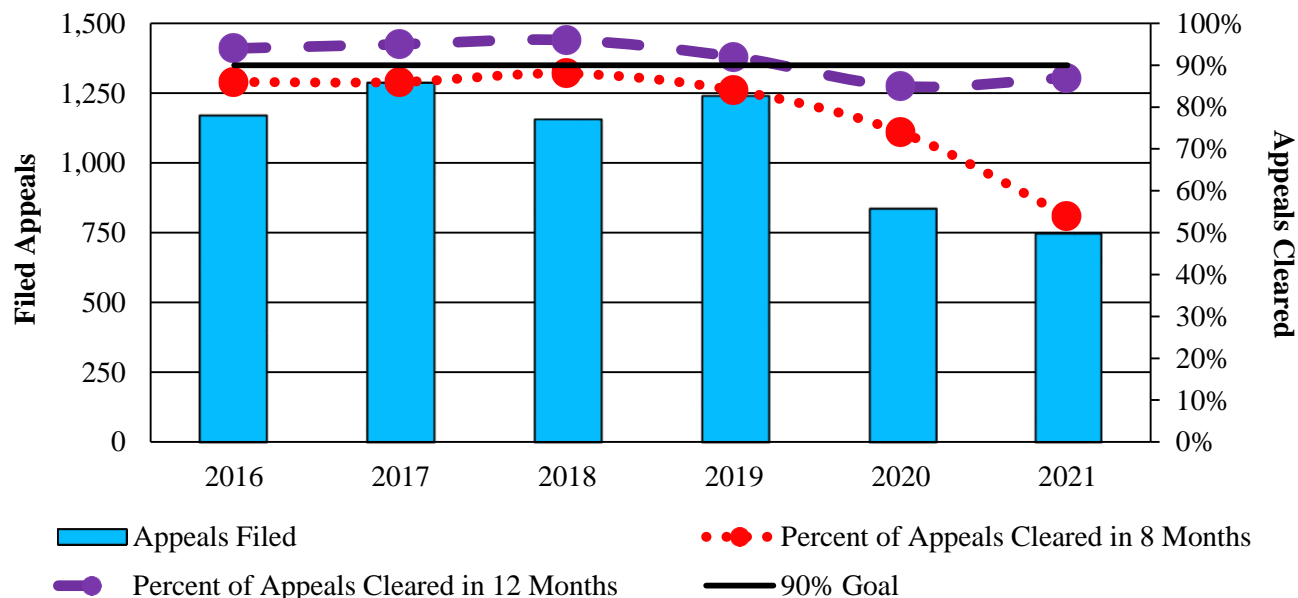
## Key Observations

### 1. MTC Clearance Rates Remain High Despite Slight Dip in Fiscal 2020

#### Appeals Forwarded to the Maryland Tax Court Continue to Decline

The number of appeals filed with MTC declined in fiscal 2021 for the second year in a row, as shown in **Exhibit 3**. After the dramatic drop of 32% in fiscal 2020, the number of appeals declined by an additional 11% in fiscal 2021. The 8-month clearance rate saw a large decrease in fiscal 2021, with a 27% decline from fiscal 2020. However, the 12-month clearance rate increased slightly by 2% in fiscal 2021. When the COVID-19 shutdown started in March 2020, all the agencies that issue decisions that would be appealed to MTC suspended these decisions. As a result, appeals to MTC dropped sharply. MTC stopped appeal hearings in late March 2020 and resumed them in late August 2020. This suspension of appeal hearings created a backlog of appeals, which caused the time for processing those appeals to increase. That increase in the time it has taken to process appeals has impacted the 8-month case clearance rate.

**Exhibit 3**  
**MTC Court Clearance Rates**  
**Fiscal 2016-2021**



MTC: Maryland Tax Court

Source: Department of Budget and Management

In response to COVID-19, MTC suspended in-person hearings. Due to IT constraints and regulations governing the operation of MTC, it was determined that virtual hearings would not be possible. Emergency regulations were eventually adopted to allow for virtual hearings, but those regulations expired in June 2021. **MTC should comment on any ongoing efforts to get these regulations changed to allow for virtual hearings in the future.**

### **Decrease in the Post-clearance Appeal Rates**

After an appeal to MTC, if a party is dissatisfied with the decision, they can appeal to the circuit court. As shown in **Exhibit 4**, since fiscal 2017, very few taxpayers have taken their claims beyond MTC, which indicates that the agency continues to provide fair and consistent rulings.

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**Exhibit 4**  
**Tax Assessment Appeals**  
**Fiscal 2017-2021**

<u>Appeals</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Maryland Tax Court	1,284	1,154	1,237	835	746
Circuit Court	19	22	26	16	8
Percent Appealed to Circuit Court	1.5%	1.9%	2.1%	1.9%	1.1%

Source: Department of Budget and Management

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## ***Operating Budget Recommended Actions***

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1. Concur with Governor's allowance.

**Appendix 1  
Object/Fund Difference Report  
Maryland Tax Court**

<u>Object/Fund</u>	<u>FY 21 Actual</u>	<u>FY 22 Working Appropriation</u>	<u>FY 23 Allowance</u>	<u>FY 22 - FY 23 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	9.00	9.00	9.00	0.00	0%
02 Contractual	0.40	0.40	0.40	0.00	0%
<b>Total Positions</b>	<b>9.40</b>	<b>9.40</b>	<b>9.40</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 635,668	\$ 727,550	\$ 786,800	\$ 59,250	8.1%
02 Technical and Special Fees	11,103	11,613	12,745	1,132	9.7%
03 Communication	2,289	4,200	3,500	-700	-16.7%
04 Travel	0	1,500	1,000	-500	-33.3%
08 Contractual Services	41,926	45,424	46,350	926	2.0%
09 Supplies and Materials	14,855	10,464	10,732	268	2.6%
10 Equipment – Replacement	1,350	367	367	0	0%
11 Equipment – Additional	0	1,100	1,100	0	0%
13 Fixed Charges	2,552	2,216	3,342	1,126	50.8%
<b>Total Objects</b>	<b>\$ 709,743</b>	<b>\$ 804,434</b>	<b>\$ 865,936</b>	<b>\$ 61,502</b>	<b>7.6%</b>
<b>Funds</b>					
01 General Fund	\$ 709,743	\$ 804,434	\$ 865,936	\$ 61,502	7.6%
<b>Total Funds</b>	<b>\$ 709,743</b>	<b>\$ 804,434</b>	<b>\$ 865,936</b>	<b>\$ 61,502</b>	<b>7.6%</b>

Note: Numbers may not sum due to rounding. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.