

**C85E00**  
**Maryland Tax Court**

***Operating Budget Data***

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(\$ in Thousands)

	<b>FY 02</b> <b><u>Actual</u></b>	<b>FY 03</b> <b><u>Working</u></b>	<b>FY 04</b> <b><u>Allowance</u></b>	<b><u>Change</u></b>	<b>% Change</b> <b><u>Prior Year</u></b>
General Fund	\$535	\$540	\$547	\$7	1.4%
Contingent & Back of Bill Reductions	0	-1	-4	-3	506.1%
<b>Adjusted General Funds</b>	<b>\$535</b>	<b>\$539</b>	<b>\$544</b>	<b>\$4</b>	<b>0.8%</b>
<b>Adjusted Grand Total</b>	<b>\$535</b>	<b>\$539</b>	<b>\$544</b>	<b>\$4</b>	<b>0.8%</b>

- The fiscal 2004 allowance increases by less than 1% over the fiscal 2003 working allowance.

***Personnel Data***

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	<b>FY 02</b> <b><u>Actual</u></b>	<b>FY 03</b> <b><u>Working</u></b>	<b>FY 04</b> <b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	9.00	9.00	9.00	0.00
Contractual FTEs	0.60	0.60	0.60	0.00
<b>Total Personnel</b>	<b>9.60</b>	<b>9.60</b>	<b>9.60</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Budgeted Turnover: FY 04	0.00	0.00%
Positions Vacant as of 12/31/02	0.00	0.00%

Note: Numbers may not sum to total due to rounding.

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## ***Analysis in Brief***

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### **Major Trends**

***Decrease in Number of Days a Case Is Open:*** The number of days required to dispose of a case has been decreasing since fiscal 2001.

### **Issues**

***Transfer Agency's Function to the Office of Administrative Hearings:*** The Maryland Tax Court's duties could effectively and efficiently be absorbed by the Office of Administrative Hearings.

### **Recommended Actions**

1. Add budget bill language to transfer funding and duties to Office of Administrative Hearings contingent on the enactment of legislation.

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***Operating Budget Analysis***

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**Program Description**

The Maryland Tax Court (MTC) provides the final administrative hearing for appeals from taxing authorities in Maryland. Decisions of the Comptroller, Property Tax Assessment Appeals Boards, and local collectors are among those appealed to the court. Decisions of the Tax Court may be appealed to the circuit court. MTC is composed of five part-time judges appointed for six-year terms by the Governor.

The Tax Court's goal is to provide the taxpayer and taxing authority a fair and efficient hearing regarding any tax issue.

**Performance Analysis: Managing for Results**

MTC has developed Managing for Results measures to report its effectiveness in providing fair and efficient hearings.

**Fair hearings**

MTC regularly receives "above average" and "excellent" ratings in its citizen surveys, which indicate that the citizens feel they are being treated fairly. In addition to the ratings, the Tax Court receives less than 10 complaints a year, and less than 2% of its decisions are appealed to the circuit courts, which have upheld approximately 90% of the Tax Court's decisions.

**Efficiency**

The Tax Court's efficiency measures are somewhat mixed. As **Exhibit 1** shows, MTC handles a large number of cases each year, and the average time required to dispose of a case is declining; however, there is still a large number of cases pending at the end of each year. MTC plans to decrease the average number of days a case is open from 203 in fiscal 2002 to 180 in fiscal 2003 and 2004. **Given that there are no new resources available, the Tax Court should be prepared to explain how it will achieve this goal.**

**Exhibit 1**

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**Efficiency Measures of the Maryland Tax Court**

<u>Measure</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004 Est.</u>
Number of appeals filed	751	678	800	880	880
Number of appeals disposed	850	834	746	950	950
Number of appeals pending at year-end	812	655	709	639	569
Average days a case is open	230	234	203	180	180

Source: Governor's Budget Books

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**Fiscal 2003 Actions**

**Impact of Cost Containment**

Fiscal 2003 cost containment reflects the reversion of appropriations to support free transit ridership for State employees, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2003. For MTC this is about \$1,000.

**Governor's Proposed Budget**

The fiscal 2004 allowance provides an increase of \$4,000 (0.8%) over the fiscal 2003 working appropriation. As **Exhibit 2** shows, personnel expenses account for all of the increase with a \$10,000 increase in employee and retiree health insurance. There are some offsetting decreases bringing the net increase in personnel expenditures to \$4,000. There are small changes in other expenses, which offset making the net change zero.

**Impact of Cost Containment**

One of the personnel expenditure changes is deferred compensation. The fiscal 2004 allowance reflects the elimination of the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2003. This is about \$3,000 for MTC.

**Exhibit 2**

**Governor's Proposed Budget  
Maryland Tax Court  
(\$ in Thousands)**

	<u>FY 02 Actual</u>	<u>FY 03 Working</u>	<u>FY 04 Allowance</u>	<u>Change</u>	<u>% Change Prior Year</u>
General Fund	\$535	\$540	\$547	\$7	1.4%
Contingent & Back of Bill Reductions	0	-1	-4	-3	506.1%
<b>Adjusted General Funds</b>	<b>\$535</b>	<b>\$539</b>	<b>\$544</b>	<b>\$4</b>	<b>0.8%</b>
<b>Adjusted Grand Total</b>	<b>\$535</b>	<b>\$539</b>	<b>\$544</b>	<b>\$4</b>	<b>0.8%</b>

**Where It Goes:**

**Personnel Expenses**

Employee and retiree health insurance.....	\$10
Deletion of deferred compensation .....	-3
Other fringe benefit adjustments.....	-3

**Other Changes**

Increase in telecommunications charges from the Department of Budget and Management .....	2
Reduction in travel expenses due to less travel to out-of-state conferences.....	-1
Reduction due less in-state travel.....	-1

**Total** **4**

Note: Numbers may not sum to total due to rounding.

## *Issues*

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### **1. Transfer Agency's Function to the Office of Administrative Hearings**

In September of 1997, DLS issued a report to the Maryland General Assembly entitled *The Feasibility of Consolidating Administrative Appeals Agencies*. In this report, DLS proposed merging MTC into the Office of Administrative Hearings (OAH). In response to this proposal OAH indicated that it could absorb MTC's workload and perform it with five fewer people. While the Tax Court has a relatively narrow jurisdiction, OAH hears cases referred by all State agencies. OAH judges are required to be attorneys while the Tax Court does not require all of its judges to be attorneys, creating a potential need to replace some MTC judges. However, at this time all of MTC's judges are attorneys.

Merging MTC into OAH should reduce administrative overhead by \$328,000 and may create other efficiencies as well such as a reduction in the number of judges. The estimate for administrative savings assumes the elimination of all four of the administrative positions currently in MTC as well as other administrative costs. **DLS asks that MTC be prepared to comment on the recommendation of merging its functions into OAH.**

## ***Recommended Actions***

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1. Add the following language:

, provided that \$327,733 of this appropriation and four positions shall be reduced contingent upon enactment of legislation transferring the Tax Court's duties to the Office of Administrative Hearings. Authorization is hereby granted to transfer all positions, appropriated funds, and duties of the Maryland Tax Court to the Office of Administrative Hearings.

**Explanation:** The language eliminates the Maryland Tax Court and its administrative positions and transfers its duties to the Office of Administrative Hearings contingent on legislation. The consolidation provides administrative savings but assumes the Tax Court judges would be absorbed into the Office of Administrative Hearings.

## *Current and Prior Year Budgets*

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### Current and Prior Year Budgets Maryland Tax Court (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Fiscal 2002</b>					
Legislative Appropriation	\$548	\$0	\$0	\$0	\$548
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-1	0	0	0	-1
Reversions and Cancellations	-12	0	0	0	-12
<b>Actual Expenditures</b>	<b>\$535</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$535</b>
<b>Fiscal 2003</b>					
Legislative Appropriation	\$540	\$0	\$0	\$0	\$540
Budget Amendments	0	0	0	0	0
Contingent and Back of the Bill Reductions	-1	0	0	0	-1
<b>Working Appropriation</b>	<b>\$539</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$539</b>

Note: Numbers may not sum to total due to rounding.

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**C85E00 - Maryland Tax Court**

Appendix 2

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

<u>Object/Fund</u>	<u>FY 02 Actual</u>	<u>FY 03 Working Appropriation</u>	<u>FY 04 Allowance</u>	<u>FY 03 - FY 04 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	9.00	9.00	9.00	0	0%
02 Contractual	0.60	0.60	0.60	0	0%
<b>Total Positions</b>	<b>9.60</b>	<b>9.60</b>	<b>9.60</b>	<b>0</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 478,512	\$ 487,187	\$ 497,296	\$ 10,109	2.1%
02 Technical & Spec Fees	15,935	15,659	16,813	1,154	7.4%
03 Communication	5,224	8,120	9,349	1,229	15.1%
04 Travel	1,855	4,100	1,855	- 2,245	- 54.8%
08 Contractual Services	11,305	12,311	12,475	164	1.3%
09 Supplies & Materials	6,620	9,500	7,620	- 1,880	- 19.8%
10 Equip - Replacement	4,826	400	0	- 400	- 100.0%
11 Equip - Additional	7,189	1,600	1,000	- 600	- 37.5%
13 Fixed Charges	3,764	1,149	985	- 164	- 14.3%
<b>Total Objects</b>	<b>\$ 535,230</b>	<b>\$ 540,026</b>	<b>\$ 547,393</b>	<b>\$ 7,367</b>	<b>1.4%</b>
<b>Funds</b>					
01 General Fund	\$ 535,230	\$ 540,026	\$ 547,393	\$ 7,367	1.4%
<b>Total Funds</b>	<b>\$ 535,230</b>	<b>\$ 540,026</b>	<b>\$ 547,393</b>	<b>\$ 7,367</b>	<b>1.4%</b>

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.