

E50C
Department of Assessments and Taxation

Operating Budget Data

(\$ in Thousands)

	FY 04 <u>Actual</u>	FY 05 <u>Working</u>	FY 06 <u>Allowance</u>	FY 05-06 <u>Change</u>	% Change <u>Prior Year</u>
General Fund	\$76,411	\$88,895	\$90,107	\$1,212	1.4%
Special Fund	<u>3,154</u>	<u>3,817</u>	<u>3,638</u>	<u>-178</u>	<u>-4.7%</u>
Total Funds	\$79,565	\$92,712	\$93,745	\$1,034	1.1%
Contingent & Back of Bill Reductions			-279	-279	
Adjusted Total	\$79,565	\$92,712	\$93,467	\$755	0.8%

- The allowance provides a \$1.5 million fiscal 2005 deficiency for the Homeowners' Tax Credit Program.
- The largest changes in the fiscal 2006 allowance are a \$1.5 million increase in the Homeowners' Tax Credit Program and an \$800,000 increase in the Urban Enterprise Zone Tax Credit Program.
- The fiscal 2006 allowance decreases funds for computer usage (\$500,000) and office equipment purchases (\$280,000).

Personnel Data

	FY 04 <u>Actual</u>	FY 05 <u>Working</u>	FY 06 <u>Allowance</u>	FY 05-06 <u>Change</u>
Regular Positions	695.50	687.50	677.50	-10.00
Contractual FTEs	<u>0.00</u>	<u>0.25</u>	<u>0.25</u>	<u>0.00</u>
Total Personnel	695.50	687.75	677.75	-10.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	32.32	4.77%
Positions Vacant as of 12/31/04	53.50	7.78%

- The fiscal 2006 allowance deletes 10 regular positions.

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

For further information contact: Brian Baugus

Phone: (410) 946-5530

Analysis in Brief

Major Trends

Assessments Are Accurate: In all three measures of accuracy, the State Department of Assessments and Taxation is performing well.

Interest and Penalties Expected to Decrease: The department expects a significant decline in revenues generated from interest and penalties.

Charter Unit Not Meeting All Its Goals: The Charter Unit is falling short in meeting some of its key goals.

Issues

Interim Report on Property Taxation in Maryland: During the 2004 interim, the Department of Legislative Services conducted an extensive review of property taxation in Maryland.

Local Jurisdictions Did Not Pay Full Amount for Tax Credit: The fiscal 2004 Budget Reconciliation and Financing Act (Chapter 203, Acts of 2004) required the local jurisdictions to contribute \$10,010,000 to the Homeowners' Tax Credit Program; only \$9.8 million was recovered.

Recommended Actions

	<u>Funds</u>
1. Reduce Homeowners' Tax Credit Program to be consistent with historical trends.	\$ 250,000
2. Reduce Renters' Tax Credit Program to be more in line with historical averages.	200,000
3. Reduce the fiscal 2005 deficiency appropriation for the tax credit programs.	450,000
Total Reductions to Fiscal 2005 Deficiency Appropriation	\$ 450,000
Total Reductions to Allowance	\$ 450,000

E50C
Department of Assessments and Taxation

Operating Budget Analysis

Program Description

The State Department of Assessments and Taxation (SDAT) supervises the assessment of all property in the State. The department performs assessments on one-third of all real property and all personal property in the State every year and certifies to the local taxing authorities the assessment of every piece of property. The department also administers three tax credit programs: the Homeowners' Tax Credit Program, the Renters' Tax Credit Program, and the Urban Enterprise Zone Tax Credit Program. The homeowners' and renters' programs provide property tax relief to all eligible homeowners and renters. The enterprise zone program reimburses local governments for property tax credits given to businesses, which are located in, or expand into, enterprise zones. The department collects public service franchise taxes and assesses all public utility companies in the State. It also serves as the filing place for businesses operating in the State. The department registers companies, corporations, and partnerships in Maryland and generates certificates and certified documents. The various forms that businesses must file with the department are available to the public for inspection.

The goals of the department are to:

- provide a consistently accurate property valuation system;
- run efficient and effective programs for property tax relief and business services; and
- operate convenient and professional facilities.

Performance Analysis: Managing for Results

Assessments Are Accurate

Property assessments are a sensitive and sometimes volatile issue for property owners. SDAT strives to provide accurate and fair assessments. SDAT measures appraisal accuracy as the degree to which properties are appraised at market value, as defined by professional standards published by the International Association of Assessing Officers (IAAO). There are three measures as detailed below.

The *assessment-to-sales ratio* (ASR) is a ratio of the assessed value to the sales price of the property. The closer the ratio is to 100%, the closer the assessment is to the sales price. A ratio over 100% indicates the assessment was too high, and a ratio under 100% indicates the assessment was too

E50C - Department of Assessments and Taxation

low. The IAAO range for acceptable performance for ASR is 90 to 110%. The *coefficient of dispersion* (COD) measures how close individual ASRs are to the median ASR for an area. A large COD indicates a wide range of assessment values in a particular area. The lower the COD, the more closely the ASRs are to the median ASR value; a COD under 15 is considered reasonable. The third measure is the price related differential (PRD). The PRD measures bias in the ASR. A bias is when the assessments for the assessed properties are higher or lower than they should be, based on the ASR. The ideal PRD is 1, indicating perfectly unbiased assessments. A PRD in excess of 1 indicates a bias against high dollar properties, and a PRD less than 1 indicates a bias against low dollar properties. **Exhibit 1** presents the details for SDAT's accuracy measures.

Exhibit 1
Accuracy Measures
State Department of Assessments and Taxation
Fiscal 2002 – 2006

<u>Measure</u>	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Actual</u> <u>2004</u>	<u>Est.</u> <u>2005</u>	<u>Est.</u> <u>2006</u>	<u>Ann.</u> <u>Chg.</u> <u>02-04</u>	<u>Ann.</u> <u>Chg.</u> <u>04-06</u>
Assessment-to-sales ratio	90%	90%	90%	90%	90%	0.00%	0.00%
Coefficient of dispersion	9.30	10.80	10.00	10.00	10.00	3.70%	0.00%
Price related differential	1.02	1.02	1.01	1.01	1.01	-0.49%	0.00%

Source: State Department of Assessment and Taxation

As Exhibit 1 shows, SDAT's assessors have been accurate and are expected to maintain this level of performance in fiscal 2005 and 2006.

Interest and Penalties Expected to Fall Significantly

The department reports that it expects to levy significantly less penalties and interest on businesses in fiscal 2005 and 2006. **Exhibit 2** shows the penalty and interest history for the past three fiscal years and the estimates for the fiscal 2005 and 2006.

The department should be prepared to explain the factors contributing to the large spikes in penalties and interest revenue in fiscal 2003 and 2004 and why these factors are a short-term event.

Exhibit 2
Interest and Penalty Data
State Department of Assessments and Taxation
Fiscal 2002 – 2006

<u>Measure</u>	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Actual</u> <u>2004</u>	<u>Est.</u> <u>2005</u>	<u>Est.</u> <u>2006</u>	<u>Ann.</u> <u>Chg.</u> <u>02-04</u>	<u>Ann.</u> <u>Chg.</u> <u>04-06</u>
Total interest and penalties levied	\$80,466	\$254,725	\$512,917	\$100,000	\$100,000	152.47%	-55.85%

Source: State Department of Assessment and Taxation

Charter Unit Not Meeting All Its Goals

SDAT is the central repository of all records of business formation and filings. This function is overseen by the Charter Unit. One of the Charter Unit's goals is to fill a request for a document within seven business days of the request. **Exhibit 3** shows the recent performance of the Charter Unit in meeting this goal.

Exhibit 3
Charter Unit Performance
State Department of Assessments and Taxation
Fiscal 2002 – 2006

<u>Measure</u>	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Actual</u> <u>2004</u>	<u>Est.</u> <u>2005</u>	<u>Est.</u> <u>2006</u>	<u>Ann.</u> <u>Chg.</u> <u>02-04</u>	<u>Ann.</u> <u>Chg.</u> <u>04-06</u>
% of documents processed in seven days	67.4%	75.1%	78.6%	79.3%	79.3%	7.99%	0.44%
Avg. # of days to process a document	7.9	7.3	9.2	9.0	9.0	7.91%	-1.09%

Source: State Department of Assessment and Taxation

While the percentage of documents being processed within seven days has increased since fiscal 2002, the average number of days required to process all documents has increased as well. This indicates that there are a certain number of document requests that are difficult to process. **SDAT**

should be prepared to explain some of these difficulties, why they exist, and how it intends to address the issue or if its performance measure may need to be altered to reflect this reality.

Fiscal 2005 Actions

Deficiency for Homeowners' Tax Credit Program

The fiscal 2006 allowance provides a \$1.5 million general fund deficiency appropriation for the Homeowners' Tax Credit Program. The deficiency is discussed in more detail under the analysis of the Governor's proposed budget for fiscal 2006.

Cost Containment

The department abolished eight positions during fiscal 2005 as part of statewide cost cutting measures. **Exhibit 4** presents the details of the positions deleted.

Exhibit 4
Deleted Positions in Fiscal 2005
State Department of Assessments and Taxation

<u>Program</u>	<u># of Positions Eliminated</u>
Real Property Valuation	5
Office of Information Technology	1
Business Property Valuation	1
Tax Credit	1

Source: State Department of Assessments and Taxation

Governor's Proposed Budget

The fiscal 2006 allowance increases by \$755,000 (0.8%) over the fiscal 2005 working appropriation. **Exhibit 5** details the fiscal 2006 allowance. However, adjusting for the tax credit programs, the fiscal 2006 allowance for departmental operations decreases by \$1.3 million (2.7%) from the fiscal 2005 working appropriation and is .9% below the fiscal 2002 actual expenditure.

Exhibit 5
Governor's Proposed Budget
Department of Assessments and Taxation
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Total
2005 Working Appropriation	\$88,895	\$3,817	\$92,712
2006 Governor's Allowance	90,107	3,638	93,745
Contingent & Back of Bill Reductions	<u>-252</u>	<u>-27</u>	<u>-279</u>
Adjusted Allowance	\$89,855	\$3,611	\$93,467
Amount Change	\$960	-\$205	\$755
Percent Change	1.1%	-5.4%	0.8%

Where It Goes:

Personnel Expenses

Increments and other compensation.....	\$768
Employees' retirement system.....	324
Reduction due primarily to the deletion of funds associated with previously abolished positions.....	-957
Abolished/transferred positions in fiscal 2006 allowance	-515
Turnover increased to 4.8%	-119
Other adjustments	-25

Other Changes

Real Property Valuation Program

Reduction in office equip due to completion of Baltimore and Frederick counties office relocations	-280
Building maintenance savings from newer inventory of locations.....	-69
Garage rent declines as several locations include parking in rent price	-30

Office of Information Technology

Reduction in computer usage at the Annapolis Data Center	-500
--	------

Charter Unit

Increase in fees paid to credit card vendors due to increased online purchasing of Charter Unit services	50
Reduction in copying, communications, and equipment expenditures due to fiscal 2005 installment of new Xerox equipment	-164
Decrease usage of temporary workers	-57

E50C - Department of Assessments and Taxation

Where It Goes:

Business Property Valuation Program

Reproduction and copying expenditures..... -22

Tax Credit Program

Homeowners' Tax Credit Program..... 1,530

Enterprise Zone Tax Credit Program..... 800

Renters' Tax Credit Program..... -50

Other Changes

Miscellaneous changes..... 71

Total **\$755**

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

Personnel Changes

The fiscal 2006 allowance reflects the elimination of \$278,821, the appropriation for matching the employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

The fiscal 2006 allowance deletes 10 regular positions. **Exhibit 6** presents the details of the positions deleted. The department reports that these 10 positions were vacant. Added to the actions taken in fiscal 2005, the department will have eliminated 18 positions in two years and over 80 positions since fiscal 2002.

The department should be prepared to comment on how the most recent position deletions will affect its ability to accomplish its mission.

Charter Unit

As Exhibit 5 shows, there are several decreases in the Charter Unit. One of the reductions is to office assistance which reflects the reduction in reliance on temporary workers. There is a seasonal nature to the workflow in the Charter Unit and employing temporary workers has been an efficient way to manage the seasonality. Given that the Charter Unit is having difficulty meeting its seven-day turn around goal for non-expedited service, this reduction, combined with the deletion of an office secretary in the Charter Unit (see Exhibit 6), would seem to make it more difficult to improve on current performance.

Exhibit 6
Deleted Positions in Fiscal 2006 Allowance
State Department of Assessments and Taxation

<u>Position</u>	<u>Program</u>
Office Services Clerk	Allegany County Property Valuation Office
Assessments Records Supervisor	Anne Arundel County Property Valuation Office
Office Services Clerk	Carroll County Property Valuation Office
Office Services Clerk	Howard County Property Valuation Office
Assessor III Real Property	Prince George's County Property Valuation Office
Assessor II Commercial and Industrial	Queen Anne's County Property Valuation Office
Assessments Office Manager	Washington County Property Valuation Office
Assessments Assistant Supervisor	Worcester County Property Valuation Office
Data Processing Programmer	Office of Information Technology
Office Secretary	Charter Unit

Source: State Department of Assessments and Taxation

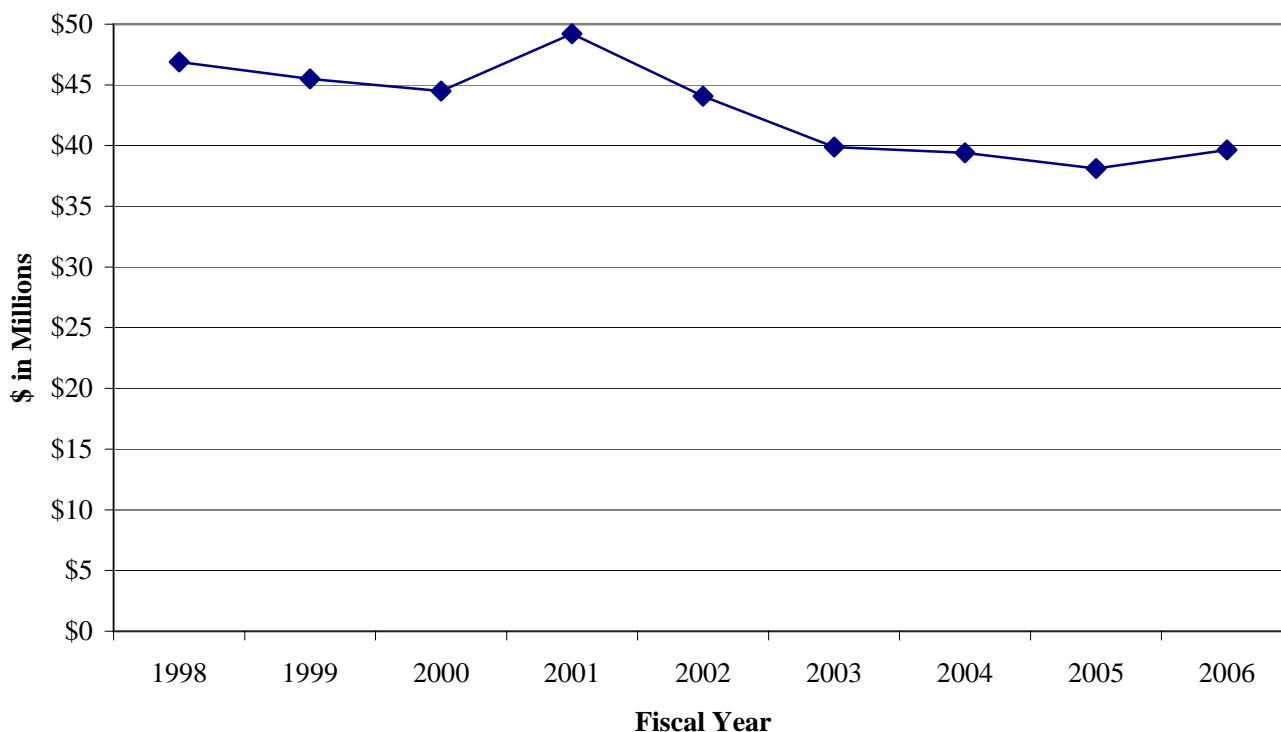
The department should be prepared to discuss the changes to the Charter Unit in the fiscal 2006 allowance and how these changes will affect its ability to improve its performance and reach its MFR goal of seven-day turn around for regular service.

Homeowners' Tax Credit Program

The fiscal 2006 allowance provides a \$1.5 million increase over the fiscal 2005 working appropriation for the Homeowners' Tax Credit Program. After accounting for the fiscal 2005 deficiency, or \$1.5 million, the fiscal 2006 allowance still provides for a modest \$30,000 increase over fiscal 2005.

As has been noted in previous analyses and discussed in more detail in the Issues section of this analysis, usage of the tax credit program has declined for several years. In fiscal 2002 SDAT awarded approximately \$44 million in credits; this was less than in previous years, and the trend has continued. In fiscal 2006 SDAT estimates awarding \$39.7 million. Other than a small bump in fiscal 2001 (primarily due to a legislative adjustment to eligibility in fiscal 1999 and an aggressive marketing campaign in 2001), the long-term trend has been steadily downward. **Exhibit 7** shows the trend since fiscal 1998.

Exhibit 7
Homeowners' Tax Credit Utilization
Fiscal 1998 – 2006



Source: Governor's Budget Books

The fiscal 2005 working appropriation for the Homeowners' Tax Credit Program is \$38.1 million. Adding the proposed \$1.5 million deficiency appropriation to the fiscal 2005 working appropriation brings the total appropriation for fiscal 2005 to \$39.7 million, slightly higher than actual fiscal 2004 funding. The fiscal 2006 allowance provides \$39.7 million for the program, the same level as fiscal 2005 (**Exhibit 8**).

As discussed in Issue 1, the Homeowners' Tax Credit has declined for a number of years because the income brackets and maximum assessment level used to calculate the tax liability have not been adjusted for inflation. As Exhibit 8 shows, the Renters' Tax Credit Program has followed the same trend. **Given this trend, the Department of Legislative Services believes the allowance overstates program costs for fiscal 2005 and 2006 and recommends a reduction of \$450,000 in each year; \$250,000 in the homeowners' program and \$200,000 in the renters' program. The revised funding level leaves the program level funded from fiscal 2004 through 2006.**

Exhibit 8
Trends in the Homeowners' and Renters' Tax Credit Program
(\$ in Thousands)

	Fiscal Years				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Homeowners' Budgeted Amount	\$44,057	\$39,874	\$39,401	\$38,150	\$39,650
Homeowners' Deficiency				1,500	
Homeowners' Total	\$44,057	\$39,874	\$39,401	\$39,650	\$39,650
Renters' Budgeted Amount	\$3,071	\$2,820	\$2,763	\$2,950	\$2,950
Grand Total	\$47,128	\$42,694	\$42,164	\$42,600	\$42,600
Proposed Reduction				\$450	\$450
Revised Total	\$47,128	\$42,694	\$42,164	\$42,150	\$42,150
Number of Homeowners' credits issued	59,013	52,629	50,208	48,006	46,566
Avg \$ Amount of a Homeowners' Credit	\$747	\$758	\$785	\$826	\$851
Number of Renters' credits issued	11,995	11,470	11,373	11,636	11,913
Avg \$ Amount of a Renters' Credit	\$256	\$246	\$243	\$254	\$248

Source: Governor's Budget Books

Enterprise Zone Tax Credit Program

The fiscal 2006 allowance provides an \$800,000 increase to the Enterprise Zone Tax Credit Program. This is consistent with the program's historical utilization rates as **Exhibit 9** shows.

Exhibit 9
Enterprise Tax Credit Program: Annual Amount Awarded
(\$ in Millions)

<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005 (Est.)</u>	<u>FY 2006 (Est.)</u>
\$0	\$3.0	\$3.7	\$4.7	\$5.1	\$5.9

Source: Department of Assessments and Taxation

The utilization of the program has increased by an average of \$700,000 per year since fiscal 2002.

Issues

1. Interim Report on Property Taxation in Maryland

During the 2004 interim the Department of Legislative Services conducted an extensive review of property taxation in Maryland. The report is historical and factual in nature and did not include any recommendations or model legislation; however, it did make several findings.

The Tax Credit Program

One of the primary factors for producing the report was an effort to investigate the declining utilization of the Homeowners' and Renters' Tax Credit Programs. The report demonstrated the declining utilization rates of these programs; the number of credits issue in fiscal 2004 was approximately half of what was issued in fiscal 1984, while the average credit has almost doubled in value. Several factors have contributed to this downward trend, including increased income of homeowners and an increase in home values. While the program has been amended, the income brackets have not changed since fiscal 1980, and the maximum assessment level used to calculate tax liability has not changed since fiscal 1989.

The consequences of using older figures are significant. In 1980 a homeowner with an income of \$15,000 was not required to pay more than 4.3% of his/her income (\$645) in property taxes. Based on the Consumer Price Index, a 1980 income of \$15,000 equates to about \$36,000 in 2004. With a \$36,000 income, the 4.3% limit would be \$1,548, but because the limits have not changed, a \$36,000 income has a 6.3% tax limit. **Exhibit 10** gives a full comparison of how the tax credit program would operate if it was fully inflation adjusted from the 1980 levels. The example uses a homeowner with a \$15,000 income and a home valued at \$100,000.

As the exhibit shows, under applicable law, a homeowner with a \$15,000 income in 1980 received a \$245 tax credit, but the homeowner with the equivalent income in 2004 receives no tax credit. If the program had been inflation adjusted, the homeowner would receive a \$588 tax credit in 2004. The tax credit program utilization rates have been trending down for several years because fewer people qualify each year due to inflationary bracket creep. The same situation, to a lesser degree, applies to the Renters' Tax Credit Program as well.

The legislature may wish to consider legislative changes to the bracket and eligibility requirements of the tax credit programs in order to increase utilization.

Exhibit 10
Impact of Inflation on Homeowners' Tax Credit

	<u>Actual 1980</u>	<u>Actual 2004</u>	<u>1980 CPI Adjusted</u>
Household Income	\$15,000	\$36,000	\$36,000
Home Value	100,000	240,000	240,000
Maximum Assessment	89,000	150,000	213,600
Tax Limit	645	2,280	1,548
Tax Eligible for Tax Credit	890	1,500	2,136
Homeowners' Tax Credit (HTC)	245	0	588
Tax without Tax Credit	1000	2,400	2,400
Tax with Tax Credit	755	2,400	1,812
Tax as Percent of Income	5.03%	6.67%	5.03%

Notes on Methodology: The Tax Limit comes from the legislatively set percentage of income; in this case 4.3% in 1980 and 2004 CPI adjusted and 6.3% in 2004 actual.

The Tax Eligible for Tax Credit is based on the assessment value of the home; 1 cent for \$100 of assessment.

The Homeowners' Tax Credit (HTC) is the difference between the Tax Eligible for Tax Credit and the Tax Limit.

The Tax without Tax Credit is 1 cent for every \$100 of the Home Value, and Tax with the Tax Credit is the Tax without Tax Credit minus the HTC.

Source: Department of Legislative Services

Assessment Growth

The report also noted that there has been strong long-term growth in Maryland's assessable base since 1970. From 1970 to 1993 Maryland's assessable base grew an average of 8.9% a year. In 1993 there was a noticeable slowing in the growth due to the national recession. From 1993 to 1997 the assessable base grew by 3.4% a year. Growth started to slowly trend upwards again in 1997, and by 2003 growth rates returned to their pre-1993 levels.

Property Tax Revenues Grew Slower Than Other Taxes

Despite the long-term strong growth in the assessable base, tax revenues generated by the property tax have not increased as much as other local taxes during the same period of time. From 1973 to 2003 property tax revenues have increased 6.2% while the growth in other local taxes such as income, utility, and transfer taxes have increased 8.1%. Not only did other taxes outpace property tax revenues statewide, the trend applied to every individual jurisdiction as well.

2. Local Jurisdictions Did Not Pay Full Amount for Tax Credit

A provision in the 2003 Budget Reconciliation and Financing Act of 2003 (BRFA) (Chapter 203, Acts of 2003) reduced State support for the Homeowners' Tax Credit Program by \$10 million in fiscal 2004 and required the jurisdictions to make up the difference.

To obtain a tax credit, a qualifying taxpayer must submit an application to SDAT, which then informs the jurisdictions of the amount of their tax credit. The local jurisdictions collect the property tax for the State and then remit the State's share each month. The monthly remittance is the amount collected reduced by the tax credit amount for that jurisdiction. In fiscal 2004 the local jurisdictions were required to remit the full amount collected until each had paid its share of the \$10 million (each jurisdiction's share was determined based on the cost of operating an assessment office in that jurisdiction). There were four counties (Kent, Somerset, Talbot, and Worcester) for which the value of all homeowners' tax credits did not cover the counties' share of the \$10 million reduction. However, the statute has a "hold harmless" clause, and no county that did not have enough tax credits to cover its share was required to compensate for the difference. This left the actual fiscal 2004 local contribution approximately \$265,000 short of the expected amount.

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce funds for the Homeowners' Tax Credit Program. Utilization of the program has declined steadily for several years. The fiscal 2006 allowance assumes an increase in utilization. This reduction brings the fiscal 2006 budget in line with actual fiscal 2004 costs.	\$ 250,000	GF
2. Reduce the Renters' Tax Credit Program to be more in line with historical averages. Utilization of the program has declined for several years. This reduction provides the same level of funding as in fiscal 2004.	200,000	GF
3. Reduce the fiscal 2005 deficiency for the tax credit programs to bring them in line with actual fiscal 2004 costs.	450,000	GF
1. Total Reductions to Fiscal 2005 Deficiency	\$ 450,000	GF
Total General Fund Reductions to Allowance	\$ 450,000	

Current and Prior Year Budgets

Current and Prior Year Budgets Department of Assessments and Taxation (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2004					
Legislative Appropriation	\$79,147	\$2,752	\$0	\$0	\$81,899
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	862	0	0	862
Cost Containment	-2,450	0	0	0	-2,450
Reversions and Cancellations	-287	-460	0	0	-747
Actual Expenditures	\$76,411	\$3,154	\$0	\$0	\$79,565
Fiscal 2005					
Legislative Appropriation	\$87,393	\$3,276	\$0	\$0	\$90,669
Budget Amendments	1,502	541	0	0	2,043
Working Appropriation	\$88,895	\$3,817	\$0	\$0	\$92,712

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

E50C - Department of Assessments and Taxation

Fiscal 2005

Fiscal 2005 budget amendments add \$1 million for Annual Salary Reviews and \$502,000 for the employee cost-of-living adjustment.

Audit Findings

Audit Period for Last Audit:	November 13, 2000 - October 15, 2003
Issue Date:	August, 2004
Number of Findings:	7
Number of Repeat Findings:	2
% of Repeat Findings:	29%
Rating: (if applicable)	

- Finding 1:** SDAT did not use certain automated matching procedures to help detect non-Maryland corporations that failed to file required annual reports and personal property tax returns and remit the related fees.
- Finding 2:** SDAT made an overpayment of approximately \$57,000 to an employee upon retirement.
- Finding 3:** **Cash receipts were not adequately controlled for recordation and subsequent deposit.**
- Finding 4:** SDAT's computer network monitoring was not adequate and the internal network was not properly isolated.
- Finding 5:** Controls over SDAT's database administration functions were not adequate.
- Finding 6:** Certain corporate purchasing card transactions made by one SDAT employee were inappropriately processed.
- Finding 7:** **Proper internal controls were not established over the processing of certain disbursement transactions.**

*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report
Department of Assessments and Taxation**

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	695.50	687.50	677.50	-10.00	-1.5%
02 Contractual	0	0.25	0.25	0	0%
Total Positions	695.50	687.75	677.75	-10.00	-1.5%
Objects					
01 Salaries and Wages	\$ 35,279,117	\$ 38,495,607	\$ 38,250,654	-\$ 244,953	-0.6%
02 Technical & Spec Fees	27,637	0	20,500	20,500	n/a
03 Communication	1,051,403	1,339,648	1,366,028	26,380	2.0%
04 Travel	323,273	321,263	332,638	11,375	3.5%
06 Fuel & Utilities	17,328	19,202	20,005	803	4.2%
07 Motor Vehicles	130,060	160,547	132,385	-28,162	-17.5%
08 Contractual Services	2,770,616	3,539,627	2,844,187	-695,440	-19.6%
09 Supplies & Materials	298,701	336,111	290,255	-45,856	-13.6%
10 Equip - Replacement	760,554	380,654	118,350	-262,304	-68.9%
12 Grants, Subsidies, Contr	37,088,567	46,219,544	48,500,000	2,280,456	4.9%
13 Fixed Charges	1,817,401	1,899,299	1,870,340	-28,959	-1.5%
Total Objects	\$ 79,564,657	\$ 92,711,502	\$ 93,745,342	\$ 1,033,840	1.1%
Funds					
01 General Fund	\$ 76,410,563	\$ 88,895,002	\$ 90,107,312	\$ 1,212,310	1.4%
03 Special Fund	3,154,094	3,816,500	3,638,030	-178,470	-4.7%
Total Funds	\$ 79,564,657	\$ 92,711,502	\$ 93,745,342	\$ 1,033,840	1.1%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary
Department of Assessments and Taxation**

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
00 State Department of Assessments and Taxation	\$ 79,564,657	\$ 92,711,502	\$ 93,745,342	\$ 1,033,840	1.1%
Total Expenditures	\$ 79,564,657	\$ 92,711,502	\$ 93,745,342	\$ 1,033,840	1.1%
General Fund	\$ 76,410,563	\$ 88,895,002	\$ 90,107,312	\$ 1,212,310	1.4%
Special Fund	3,154,094	3,816,500	3,638,030	-178,470	-4.7%
Total Appropriations	\$ 79,564,657	\$ 92,711,502	\$ 93,745,342	\$ 1,033,840	1.1%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.