

**E50C**  
**Department of Assessments and Taxation**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$102,246	\$105,694	\$112,404	\$6,710	6.3%
Special Fund	4,248	4,305	5,459	1,154	26.8%
Reimbursable Fund	<u>636</u>	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Total Funds</b>	<b>\$107,130</b>	<b>\$110,000</b>	<b>\$117,863</b>	<b>\$7,863</b>	<b>7.1%</b>

- The fiscal 2009 allowance includes three fiscal 2008 deficiencies totaling \$664,000 in general funds and \$542,917 in special funds. Funds are for the Homeowners' Property Tax Credit Program and to implement legislation regarding the Homestead Property Tax Credit and the ground rent registry.
- The fiscal 2009 allowance is \$117.9 million, an increase of close to \$7.9 million over the fiscal 2008 working appropriation. However, a change in the manner in which health insurance is budgeted, distorts year-to-year comparisons. Absent health insurance, the underlying growth in the allowance is \$4.9 million, or 4.7%.
- The underlying growth is largely attributable to increases in the Homeowners' Property Tax Credit and the Urban Enterprise Zone Program.

***Personnel Data***

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>
Regular Positions	677.50	680.00	675.00	-5.00
Contractual FTEs	<u>0.35</u>	<u>0.00</u>	<u>2.00</u>	<u>2.00</u>
<b>Total Personnel</b>	<b>677.85</b>	<b>680.00</b>	<b>677.00</b>	<b>-3.00</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	33.75	5.00%
Positions Vacant as of 12/31/07	55.00	8.09%

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

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- The allowance reflects the reduction of 5 office clerks within the Real Property Valuation program. Two contractual full-time equivalents are added in the allowance to assist in the implementation of an application process for the Homestead Tax Credit as required by Chapters 564 and 565 of 2007.
- At the end of calendar 2007, the department had 55 vacant positions, significantly more than it needs to meet budgeted turnover for fiscal 2009.

## *Analysis in Brief*

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### **Major Trends**

*Assessment Values Slightly Lower Compared to Sale Prices:* In one measure of assessment accuracy, it appears that the department is underperforming slightly. However, in other measures of accuracy, the department is performing well.

*Department Fails to Meet Procurement Goals:* After a strong year of performance in fiscal 2006, the department falls short of the Minority Business Enterprise participation goals in fiscal 2007. Furthermore, no progress is expected in the out-years.

### **Issues**

*Application Now Required for the Homestead Property Tax Credit:* In a bid to halt abuses, the General Assembly passed SB 522/HB 436 in 2007 (Chapters 564 and 565) which require an application for the Homestead Property Tax Credit. The credit applies only to primary owner-occupied residences but was previously provided automatically and without verification. **The department should brief the budget committees on the new application requirements and steps it is taking to ensure that all property owners understand and respond to the new process.**

*Non-Maryland Corporate Filings:* A recent legislative audit revealed that the department did not take appropriate action to pursue the required reports, tax returns, and fees of over 1,000 non-Maryland corporations conducting business within the State. **The department should update the committees on its progress in addressing the audit's concerns, specifically regarding non-Maryland corporate filers.**

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**Recommended Actions**

	<u><b>Funds</b></u>	<u><b>Positions</b></u>
1. Delete a long-term vacant position.	\$ 43,492	1.0
2. Increase turnover to better reflect historical trends in actual vacancies.	376,514	
3. Reduce the increase in the Urban Enterprise Zone Tax Credit.	600,000	
4. Reduce increase in printing.	100,000	
<b>Total Reductions</b>	<b>\$ 1,120,006</b>	<b>1.0</b>

*E50C – State Department of Assessments and Taxation*

**E50C**  
**Department of Assessments and Taxation**

***Operating Budget Analysis***

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**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' Property 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**

**Assessment Values Slightly Lower Compared to Sale Prices**

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 assessments were higher, and a ratio under 100% indicates assessments were lower than market values. The IAAO range for acceptable performance for ASR is 90% to 110%. In recent years, the department has fallen short of this goal, as shown in **Exhibit 1**.

**Exhibit 1**  
**Accuracy Measures**  
**State Department of Assessments and Taxation**  
**Fiscal 2003-2009**

<u>Measure</u>	<u>Goal</u>	<u>Actual</u> <u>2003</u>	<u>Actual</u> <u>2004</u>	<u>Actual</u> <u>2005</u>	<u>Actual</u> <u>2006</u>	<u>Actual</u> <u>2007</u>	<u>Est.</u> <u>2008</u>	<u>Est.</u> <u>2009</u>	<u>Chg.</u> <u>03-07</u>
Assessment-to-sales ratio	90%-110%	90%	87%	86%	89%	89.5%	90%	90%	-0.14%
Coefficient of dispersion	Less than 15.00	10.80	11.25	13.25	11.25	11.00	11.00	11.00	0.46%
Price-related differential	.98-1.03	1.02	1.01	1.00	1.00	1.00	1.00	1.00	-0.49%

Source: State Department of Assessments and Taxation

The increases in actual sale prices of properties have been outpacing the assessed values. The department is, however, performing within its goals for the remaining two measures. 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 underestimated appraisals for high dollar properties, and a PRD less than 1 indicates underestimated appraisals for low dollar properties. In general, the department is performing well under these industry standards.

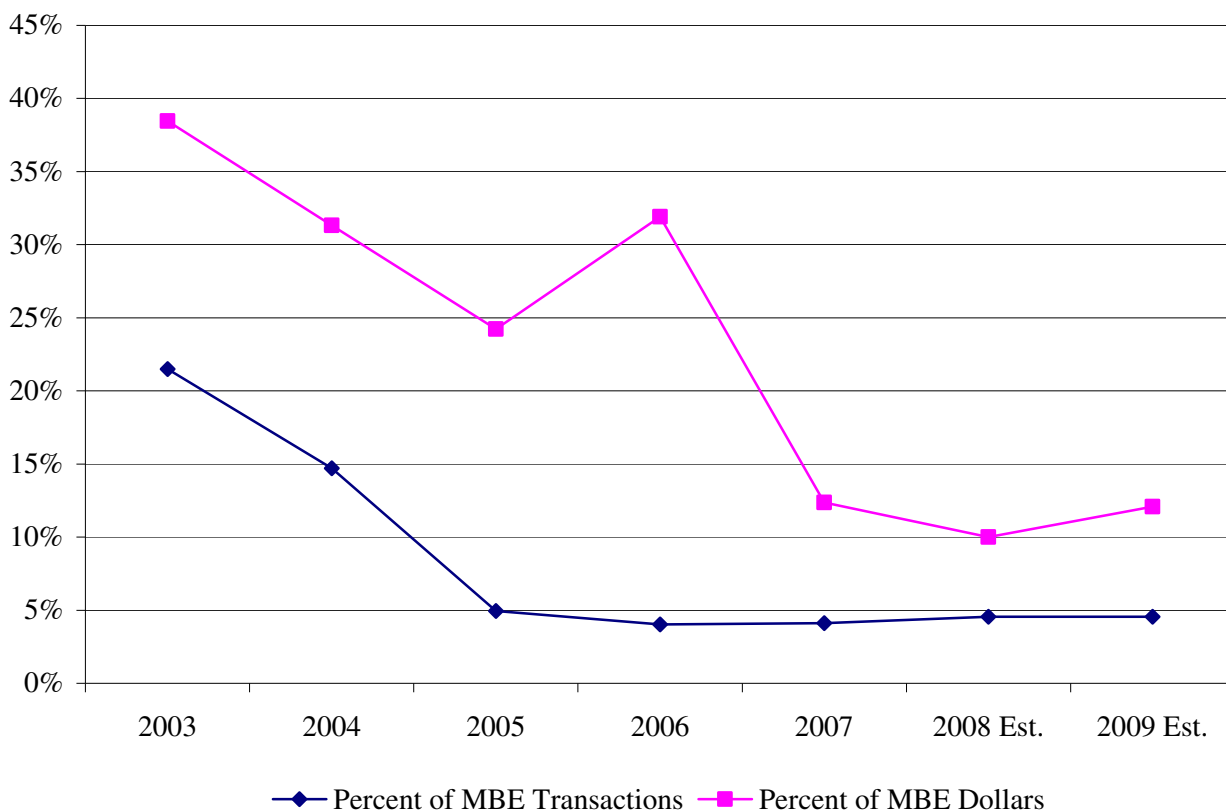
### **Department Fails to Meet Procurement Goals**

The department includes in its Managing for Results submission the objective of meeting or exceeding the State's Minority Business Enterprise (MBE) goal of 25%. The department has shown mixed success with this goal. In fiscal 2006, 31.9% of the department's procurement dollars went to MBEs. Conversely, in fiscal 2007, MBE dollars fell to slightly over 12%, as shown in **Exhibit 2**.

Furthermore, the department does not expect improvement in this goal as shown by estimates for fiscal 2008 and 2009.

**The department should be prepared to discuss its MBE procurement goal and why it does not expect improvement in the out-years.**

**Exhibit 2**  
**Procurement**  
**Minority Business Enterprise Participation**  
**Fiscal 2003-2009**



MBE: Minority Business Enterprise

Source: Governor's Budget Books, Fiscal 2005 to 2009

**Fiscal 2008 Actions**

**Proposed Deficiency**

Chapter 290 of 2007 required the department to establish a registry of ground leases. The legislation requires that all ground lease holders must register the leases by September 30, 2010. Ground lease holders are subject to a minimum \$10 fee to register. Proceeds are expected to cover the costs of administering the registry. The allowance includes a fiscal 2008 deficiency appropriation of \$154,400 in special funds for this purpose.

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Chapters 564 and 565 of 2007 require homeowners to file an application with the department in order to qualify for the Homestead Tax Credit. Previously, this credit was automatically applied to a homeowners' property tax liability. The fiscal 2009 allowance provides a fiscal 2008 deficiency of \$388,517 in special funds for the implementation of this legislation. The deficiency provides funds for salaries and related expenses for five positions added by Board of Public Works action in August 2007. Special funds are received through reimbursement from the counties for the administration of the application process as required by law. The Homestead Tax Credit is discussed in further detail under the Issues section of this analysis.

The allowance includes a fiscal 2008 deficiency for the Homeowners' Property Tax Credit Program. As discussed below, the department's cost containment effort returned \$2 million for the program. However, revised estimates for the program show a need for an additional \$664,000 in a general fund deficiency.

### **Impact of Cost Containment**

In fiscal 2008, the department relinquished \$2 million under the Homeowners' Property Tax Credit Program based on lower than expected utilization of the credit. An additional \$300,000 in savings was realized in salaries due to higher than expected vacancies.

### **Governor's Proposed Budget**

The fiscal 2009 allowance is \$117.9 million, an increase of close to \$7.9 million over the fiscal 2008 working appropriation as shown in **Exhibit 3**. However, due to a change in the manner in which health insurance is budgeted, this growth is overstated. Absent health insurance, the underlying growth in the allowance is \$4.9 million, or 4.7%.

**Exhibit 3**  
**Governor’s Proposed Budget**  
**Department of Assessments and Taxation**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Total</b>
2008 Working Appropriation	\$105,694	\$4,305	\$110,000
2009 Governor’s Allowance	<u>112,404</u>	<u>5,459</u>	<u>117,863</u>
Amount Change	\$6,710	\$1,154	\$7,863
Percent Change	6.3%	26.8%	7.1%
 <b>Where It Goes:</b>			
<b>Personnel Expenses</b>			
Abolished/transferred positions .....			-\$197
Increments and other compensation .....			137
Health insurance pay-as-you-go costs .....			858
Health Insurance – long-term Other Post Employment Benefits liability .....			2,165
Workers’ compensation premium assessment .....			-123
Turnover adjustments .....			-99
Other fringe benefit adjustments .....			20
Fiscal 2008 Budget Sections 45 – one-time hiring freeze savings .....			100
 <b>Other Changes</b>			
<b>Tax Credit Programs</b>			
Increase in expected Homeowners’ Tax Credits .....			3,899
Increase in expected Enterprise Zone Tax Credits .....			1,024
Decline in expected Renters’ Tax Credits .....			-400
 <b>Administrative Expenses</b>			
Increase in contractual payroll .....			55
Increase in printing attributable to new ground rent registry and Homestead Tax Credit application .....			250
Increase in advertising and supplies attributable to new ground rent registry and Homestead Tax Credit application .....			111
Increase in rent .....			115
Decline in equipment purchases and communications expenses .....			-47
Other miscellaneous changes .....			-5
<b>Total</b>			<b>\$7,863</b>

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

## Impact of Cost Containment

In the fiscal 2009 cost containment effort, the department relinquished five positions resulting in general funds savings of \$196,585. The positions were office clerks under the Real Property Valuation program.

## Tax Credit Programs

The Homeowners' Tax Credit Program provides credits against State and local real property taxes for homeowners who qualify based on a sliding scale of property tax liability and income. After many years of declining usage, legislation was enacted in 2006 to expand the credit. **Exhibit 4** shows the recent funding history of the program and the impact of the legislation.

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**Exhibit 4**  
**Homeowners' Property Tax Credit Funding History**  
**Fiscal 2006-2009**  
**(\$ in Thousands)**

<u>Homeowners' Property Tax Credit</u>	<u>Funding</u>	<u>Annual Change</u>
<i>Fiscal 2006</i>		
<b>Actual Expenditures</b>	<b>\$41,655</b>	
<i>Fiscal 2007</i>		
Legislative Appropriation	56,701	
Cost Containment	-9,025	
Year-end Reversion	-2,058	
<b>Actual Expenditures</b>	<b>45,618</b>	9.51%
<i>Fiscal 2008</i>		
Legislative Appropriation	50,301	
Cost Containment	-2,000	
Deficiency	664	
Transfer from Excess Renters' and Enterprise Zone Programs	902	
<b>Revised Estimate</b>	<b>49,867</b>	9.31%
<i>Fiscal 2009</i>		
<b>Allowance</b>	<b>52,200</b>	4.68%

Source: Department of Assessments and Taxation

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As shown, the initial impact of the legislation was overstated. The original appropriation in fiscal 2007 was significantly reduced through cost containment and reversions based on lower than expected usage. However, since enactment, the program has experienced a steady, albeit slower than expected, increase in participation.

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The fiscal 2008 appropriation was also reduced due to the cost containment effort. However, revised estimates, based on year-to-date activity, show the additional need for funding. In addition to the fiscal 2008 deficiency, the department expects to be able to use some excess funds from the Renters' Property Tax Program and the Urban Enterprise Zone Program to meet the increased needs. The fiscal 2009 allowance is based on a 1% increase in participants and a 5% increase in the average credit.

As mentioned, the department also administers the Urban Enterprise Zone Tax Credit Program. The program provides property and income tax credits for businesses that locate or expand within designated areas. SDAT reimburses local governments for 50% of the property tax credit. The credit is based on the increased assessment from a base year either from rising assessments or from increases in value from renovations or capital improvements.

As shown in **Exhibit 5**, the number of businesses locating in enterprise zones is projected to increase from 729 to 793 between fiscal 2008 and 2009, a 8.8% increase. The Baltimore City Enterprise Zone is driving much of this increase. Capital improvements and renovations are increasing in the zones as well. As such, the program expects a \$1 million increase in tax credits. However, the department has recently revised its fiscal 2008 estimates downward; therefore, the increase will likely be closer to \$1.5 million.

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**Exhibit 5**  
**Enterprise Zone Property Tax Credit**  
**Fiscal 2008-2009**

<u>Enterprise Zones</u>	<u>Fiscal 2008</u>		<u>Fiscal 2009</u>	
	<u>Number of Businesses</u>	<u>State's Share of Credit</u>	<u>Number of Businesses</u>	<u>State's Share of Credit</u>
Allegany	27	\$152,313	24	\$168,290
Baltimore City	186	2,889,067	241	3,656,336
Baltimore	44	534,168	42	505,881
Calvert	17	45,574	17	46,219
Cecil	13	910,505	19	1,142,790
Dorchester	19	114,640	17	94,150
Garrett	22	40,901	25	107,939
Harford	165	1,852,791	165	1,748,970
Montgomery	97	1,380,316	98	1,367,840
Prince George's	20	507,845	23	664,456
St. Mary's	18	27,261	23	41,547
Somerset	6	2,953	4	2,799
Washington	48	517,633	45	445,178
Wicomico	40	58,618	44	73,015
Worcester	7	19,974	6	12,849
<b>Total</b>	<b>729</b>	<b>\$9,054,559</b>	<b>793</b>	<b>\$10,078,259</b>

Source: State Department of Assessments and Taxation

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## **Other Expenditures**

Other increases in the allowance are largely attributable to the expansion of responsibilities from the ground rent registry and the new Homestead Tax Credit application process. For example, the department has increased its contractual staff in order to process tax credit applications. Also, advertising costs increase by approximately \$60,000. Chapter 290 of 2007 (ground rent registry) requires the department to publish notice of the law's registration requirements at least annually in specified advertising in newspapers of general circulation in Baltimore City and each county in which ground rents are located through September 30, 2010.

## Issues

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### 1. Application Now Required for the Homestead Property Tax Credit

The Homestead Tax Credit Program provides tax credits against property taxes for residential properties for the amount of property taxes resulting from an annual assessment increase that exceeds a certain percentage or “cap” in any given year. The State requires the cap on assessment increases to be set at 10% for State property tax purposes; however, local governments have the authority to lower the rate. Currently, 18 of the 24 local jurisdictions have assessment caps below 10% as illustrated in **Exhibit 6**.

**Exhibit 6**  
**Counties with Assessment Caps Below 10% in Fiscal 2008**

<u>County</u>	<u>Cap</u>	<u>County</u>	<u>Cap</u>	<u>County</u>	<u>Cap</u>
Anne Arundel	2%	Charles	7%	Prince George’s	4%
Baltimore City	4%	Dorchester	5%	Queen Anne’s	5%
Baltimore	4%	Frederick	5%	St. Mary’s	5%
Caroline	5%	Garrett	5%	Talbot	0%
Carroll	7%	Howard	5%	Washington	5%
Cecil	8%	Kent	5%	Worcester	3%

Source: State Department of Assessments and Taxation

The Homestead Tax Credit was enacted almost 30 years ago to mitigate the effects of rapidly rising property tax assessments on homeowners’ property tax liability. The credit is limited to the homeowners’ principal residence; under the law a taxpayer is not entitled to the homestead tax credit on any additional properties (*i.e.*, a rental property or vacation home) that he or she may own.

The Homestead Tax Credit Program has provided significant State and local property tax relief in recent years. At the State level, the foregone revenue is estimated at \$95.0 million in fiscal 2009. At the local level, the foregone revenue is estimated at \$1.4 billion in fiscal 2009. In lieu of the tax relief provided by the credit, however, local governments most probably would have lowered tax rates to offset in part the rapidly rising assessments in recent years.

Over the past decade, there has been a significant increase in the number of properties receiving the credit and the average amount of each credit. In recent years, the increasing number of recipients and the inability to verify eligibility has prompted concern over potential abuses or fraud.

In response, Chapters 564 and 565 of 2007 were enacted to require homeowners to apply to the department for the credit. No longer is the credit automatically applied against owners' assessments. All those seeking the credit must apply by December 31, 2012. The department began sending out notices of the application process to one-third of property owners this winter, coinciding with its triennial assessment cycle. However, concerns have been raised about whether or not property owners understand the credit or the new application process.

**The department should brief the budget committees on the new application requirements and steps it is taking to ensure that all property owners understand and respond to the new process.**

## **2. Non-Maryland Corporate Filings**

The department is responsible for the registration of corporations, both foreign and domestic. Businesses incorporated in another state (foreign corporations) and operating in Maryland are subject to the following department requirements, fees, and penalties:

- **Registration to Conduct Interstate or Foreign Business:** To transact interstate or foreign business in Maryland, a foreign corporation must register. No filing fee is required for registration.
- **Qualification to Conduct Intrastate Business:** To transact intrastate business in Maryland, a foreign corporation must pay a \$100 fee to file papers in connection with its qualification to do intrastate business.
- **Name Registration:** A foreign corporation may register its name by paying a \$100 name registration fee and a \$100 annual renewal fee after the end of the calendar year.
- **Personal Property Report Filing:** A foreign stock corporation must pay a \$300 fee to file an annual personal property report.
- **Other Filings:** Changes in articles, name changes, mergers, consolidations, and dissolutions of foreign corporations must be reported along with the appropriate recording fee.
- **Penalties:** A \$200 fine is imposed on a foreign corporation for conducting intrastate, interstate, or foreign business in this State without qualifying or registering as a foreign corporation. Each officer and agent of a foreign corporation that does intrastate, interstate, or foreign business in this State without qualifying or registering, as required, is guilty of a misdemeanor and, on conviction, is subject to a fine not exceeding \$1,000.

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A recent legislative audit revealed that the department did not take appropriate action to pursue the required reports, tax returns, and fees of over 1,000 non-Maryland corporations conducting business within the State. The department has a matching program that identifies corporations that are apparently conducting business in the State. However, the audit revealed that the department was not properly addressing the information gleaned from the matching program. To the extent that these firms are operating in Maryland, filing fees could increase by \$1.1 million.

The department is addressing this issue by working with the Comptroller of the Treasury's vendor, sales tax, and withholding tax information to find foreign forfeited corporations doing business within the State.

The same legislative audit also revealed some inconsistencies between the assessed value and the sales value of commercial properties and the eligibility of claimants of the homeowner's property tax credit. Full audit findings may be found in **Appendix 2**.

**The department should update the committees on its progress in addressing the audit's concerns, specifically regarding non-Maryland corporate filers.**

***Recommended Actions***

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	<b><u>Amount Reduction</u></b>		<b><u>Position Reduction</u></b>
1. Delete a position within the Office of the Director that has been vacant for over one year.	\$ 43,492	GF	1.0
2. Increase turnover expectancy to better reflect historical trends in actual vacancies. The general fund reduction may be allocated amongst divisions. The effect on the turnover rate is to increase it from 5% to 6%.	376,514	GF	
3. Reduce the increase in the Urban Enterprise Zone Tax Credit. The department has recently revised downward the estimated credits for fiscal 2008. Consistent with this downward revision, this reduction still allows a 10% increase in the program in fiscal 2009.	600,000	GF	
4. Reduce the increase in printing under the Charter Unit. Fiscal estimates of the new legislation that affects the department did not include a significant increase in printing costs.	100,000	SF	
<b>Total Reductions</b>	<b>\$ 1,120,006</b>		<b>1.0</b>
<b>Total General Fund Reductions</b>	<b>\$ 1,020,006</b>		
<b>Total Special Fund Reductions</b>	<b>\$ 100,000</b>		

## ***Current and Prior Year Budgets***

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

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2007</b>					
Legislative Appropriation	\$115,149	\$4,214	\$0	\$0	\$119,363
Deficiency Appropriation	0	113	0	0	113
Budget Amendments	-9,220	59	0	2,000	-7,161
Reversions and Cancellations	-3,684	-138	0	-1,364	-5,186
<b>Actual Expenditures</b>	<b>\$102,245</b>	<b>\$4,248</b>	<b>\$0</b>	<b>\$636</b>	<b>\$107,129</b>
<b>Fiscal 2008</b>					
Legislative Appropriation	\$107,341	\$4,253	\$0	\$0	\$111,594
Cost Containment	-2,300	0	0	0	-2,300
Budget Amendments	653	52	0	0	705
<b>Working Appropriation</b>	<b>\$105,694</b>	<b>\$4,305</b>	<b>\$0</b>	<b>\$0</b>	<b>\$109,999</b>

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

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## **Fiscal 2007**

General fund spending in fiscal 2007 was over 11% less than what was originally appropriated. This was largely attributable to smaller than expected claims against the department's tax credit programs; notably, the Homeowners' Property Tax Credit Program. In total, such programs reverted approximately \$12.5 million through a cost containment budget amendment and through end-of-year reversions. Further cost containment measures, salary adjustments, and reversions reduced general funds by \$966,234. However, a cost-of-living adjustment (COLA) mitigated this reduction by \$597,840.

Two deficiencies and one budget amendment increased special funds in fiscal 2007 by \$172,000. The fiscal 2008 budget included a 2007 deficiency of \$32,500 for the administration of local tax credits. Counties and municipalities are authorized to enact local supplements to the Homeowners' Property Tax Credit Program. However, they must reimburse the department for the costs of administering the supplement. There was also an \$80,000 deficiency within the Charter Unit. The special funds are from expedited services fees and were used to upgrade the Charter Unit Imaging System. Finally, a budget amendment added \$59,470 in special funds for a COLA.

An additional fiscal 2007 budget amendment appropriated \$2.0 million in reimbursable funds from the Major Information Technology Development Project funds for the development of an assessment administration and evaluation system. However, the department reverted over \$1.3 million of this amount due to a delay in the project.

## **Fiscal 2008**

A fiscal 2008 cost containment budget amendment decreased the Homeowners' Property Tax Credit Program by \$2 million based on lower than expected utilization of the credit. An additional \$300,000 in savings was realized in salaries due to higher than expected vacancies.

## ***Audit Findings***

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Audit Period for Last Audit:	October 16, 2003 – January 31, 2007
Issue Date:	August 2007
Number of Findings:	8
Number of Repeat Findings:	1
% of Repeat Findings:	12.5%
Rating: (if applicable)	n/a

- Finding 1:*** SDAT did not take appropriate action to pursue over 1,000 foreign (non-Maryland) corporations that were potentially conducting business in Maryland which would require the corporations to file annual reports, personal property tax returns, and remit the related fees.
- Finding 2:*** SDAT should ensure that each property owner listed in its residential property records only receives the homestead tax credit for their principal residence.
- Finding 3:*** Certain variances in the ratio of assessed value to sales price for commercial properties were not adequately investigated by the department.
- Finding 4:*** SDAT did not verify that amounts paid to local jurisdictions for redeemed tax credits were proper and it did not ensure that all tax credits were recovered for homes that had been sold.
- Finding 5:*** **Cash receipts were not adequately controlled to ensure that all collections initially recorded were subsequently deposited.**
- Finding 6:*** Accounts receivable records were not maintained for recoveries of excess tax credits.
- Finding 7:*** Controls over a critical firewall and the intrusion detection/prevention system need improvement.
- Finding 8:*** The same employee could initiate and approve personnel 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>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	677.50	680.00	675.00	-5.00	-0.7%
02 Contractual	0.35	0	2.00	2.00	N/A
<b>Total Positions</b>	<b>677.85</b>	<b>680.00</b>	<b>677.00</b>	<b>-3.00</b>	<b>-0.4%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 41,764,914	\$ 42,260,249	\$ 45,121,261	\$ 2,861,012	6.8%
02 Technical and Spec. Fees	18,414	500	55,132	54,632	10926.4%
03 Communication	1,205,841	1,502,539	1,468,424	-34,115	-2.3%
04 Travel	461,908	409,018	447,282	38,264	9.4%
06 Fuel and Utilities	21,640	19,549	14,278	-5,271	-27.0%
07 Motor Vehicles	105,483	124,962	101,257	-23,705	-19.0%
08 Contractual Services	3,691,455	3,116,100	3,383,337	267,237	8.6%
09 Supplies and Materials	356,759	256,880	307,638	50,758	19.8%
10 Equip – Replacement	1,293,630	145,866	133,464	-12,402	-8.5%
12 Grants, Subsidies, and Contributions	56,228,202	60,355,963	64,878,259	4,522,296	7.5%
13 Fixed Charges	1,981,825	1,808,198	1,952,749	144,551	8.0%
<b>Total Objects</b>	<b>\$ 107,130,071</b>	<b>\$ 109,999,824</b>	<b>\$ 117,863,081</b>	<b>\$ 7,863,257</b>	<b>7.1%</b>
<b>Funds</b>					
01 General Fund	\$ 102,245,807	\$ 105,694,444	\$ 112,403,970	\$ 6,709,526	6.3%
03 Special Fund	4,248,294	4,305,380	5,459,111	1,153,731	26.8%
09 Reimbursable Fund	635,970	0	0	0	0.0%
<b>Total Funds</b>	<b>\$ 107,130,071</b>	<b>\$ 109,999,824</b>	<b>\$ 117,863,081</b>	<b>\$ 7,863,257</b>	<b>7.1%</b>

Note: The fiscal 2008 appropriation does not include deficiencies.