

**Department of Legislative Services**  
Maryland General Assembly  
2008 Session

**FISCAL AND POLICY NOTE**

Senate Bill 467

(Senator Peters, *et al.*)

Budget and Taxation

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**Property Tax - Assessment Appeal Procedures**

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This bill provides that for real property assessment appeals to the Property Tax Assessment Appeals Boards and the Maryland Tax Court, the State Department of Assessments and Taxation has the burden of demonstrating that the value of the classification in the assessment notice is correct.

The bill takes effect July 1, 2008.

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**Fiscal Summary**

**State Effect:** State property tax revenues could decrease to the extent that more assessments appeals are ruled in favor of the petitioner. Expenditures would not be affected.

**Local Effect:** Local property tax revenues could decrease to the extent that more assessments appeals are ruled in favor of the petitioner. Expenditures would not be affected.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** All appeals before the Property Tax Assessment Appeals Boards and the Maryland Tax Court appeals are “*de novo*” and require a petitioner to provide sufficient convincing affirmative evidence to achieve the relief being sought.

**Background:** The Property Tax Assessment Appeals Boards (PTAABs) hear appeals in matters relating to the assessment of property throughout the State. There is one board in each county and Baltimore City. Each board has four members (three members and one alternate) who are appointed by the Governor for five-year terms. The first appeal of an assessment goes to the State Department of Assessments and Taxation, which determines the original assessment. PTAABs serve as the second level of appeal, with subsequent appeals going to the Maryland Tax Court. Further appeals may be made through the circuit courts.

As shown in **Exhibit 1**, PTAABs heard over 80% of their cases in calendar 2007. Despite the marked increase in the percentage of cases heard in calendar 2007 as compared to 2006, 4,000 appeals remained pending at the conclusion of 2007. According to the boards, the backlogs of cases were due, in large part, to board member vacancies.

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**Exhibit 1**  
**Timeliness and Efficiency Measures**  
**Calendar 2005-2009**

	<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>Ann.</u> <u>Chg.</u> <u>2005-2007</u>
Appeals Filed	6,940	8,788	8,963	9,500	9,500	13.6%
Appeals Heard	4,787	5,847	7,281	8,200	8,200	23.3%
Clearance Rate	69%	67%	81%	86%	86%	8.5%
Number of Appeals Pending at Year-end	2,527	4,084	4,000	3,400	2,800	25.8%

Source: Property Tax Assessment Appeals Boards

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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.

**State Fiscal Effect:** The State Department of Assessments and Taxation establishes a value for each property in the State through a uniform system of assessments. If a taxpayer disagrees with the assessment, a first level of appeal is filed with the supervisor of assessment (assessor) where information is exchanged at an informal hearing. The assessor then either affirms or adjusts the initial assessment. SDAT indicates that it is this assessment notice that is appealed to PTAABs.

The bill shifts the burden of proof in appeals before PTAABs and the Maryland Tax Court from petitioners to SDAT. Under current procedure, the petitioner is responsible for proving why a property tax assessment is incorrect. This is due primarily to the fact that the taxpayer has access to his or her tax records and/or other information such as improvements made to the inside of a property. SDAT indicates that if the burden of proof is shifted to SDAT, it could create a disincentive for taxpayers to provide potentially useful information to SDAT at the first level of review.

To the extent that appeals are ruled in favor of the petitioner because SDAT is unable to prove why an assessment is valid, State property tax revenues would decrease. However, the number of times that this may happen and the amount of any associated property tax assessment change cannot be reliably estimated.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 891 (Delegate Ross, *et al.*) – Ways and Means.

**Information Source(s):** Property Tax Assessment Appeals Board, State Department of Assessments and Taxation, Department of Legislative Services

**Fiscal Note History:** First Reader - March 4, 2008  
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