

Roadmap to MARYLAND PROPERTY TAXES

General Assessment Overview

The state of Maryland utilizes a triennial assessment system for assessing all real estate properties. The current assessment and lien date is January 1. It is administered by the State Department of Assessments and Taxation (SDAT). Local assessment offices in each county are staffed by a Supervisor of Assessments and SDAT employees, who use standardized valuation templates to arrive at assessed values. Statistical information and valuation benchmark information are determined by the SDAT and disseminated to the county assessment offices.

Under the triennial assessment system, one-third of the properties in each county are reassessed each year. Increases in assessed value are phased in over the three-year triennial period in three equal increments. For example, an assessment increases \$30,000 from the old assessment of \$100,000 to a new assessment of \$130,000. The \$30,000 increase is “phased in” equally over the next three years: first year, \$110,000; second year, \$120,000; and third year, \$130,000.

If a new assessment has been lowered, the value does not “phase down.” The full value will be in effect for each of the three years.

Reassessment Triggers

By law, the SDAT may not issue supplemental assessments for any property once its triennial assessment becomes final unless appealed or one of the six instances where an “out-of-cycle” reassessment may occur:

1. Zoning reclassification at the initiation of the owner, or anyone having an interest in the property
2. Change in use or character
3. New construction valued at more than \$100,000
4. An error in calculation or measurement
5. Termination of residentially used rezoned real property
6. Subdivision

Each of these instances triggers a revaluation of the real property. Revaluation is effective for the upcoming tax year effective July 1 except for new construction that may become effective annually, semiannually, or quarterly depending on the procedure established in each county. The sale of a property during the unexpired term of the current triennial assessment will not trigger a reassessment.

Reassessment Due to New Construction

One of the specific reasons enumerated for the SDAT to perform an out-of-cycle reassessment is if “substantially completed improvements are made that add at least \$100,000 in value to the property.” Improvements are added when they are substantially completed (or within 60 days of completion). The county has the discretion to add the supplemental assessment annually, semiannually, or quarterly. The supplemental assessment is phased in over the remaining term of the triennial assessment cycle and is based on the SDAT’s internal costing system. Once a supplemental assessment is placed on a property, it is not revalued again until the next scheduled triennial assessment.

Income and Expense Filings

Income and expense (I&E) questionnaires are mailed to property owners no later than March 1 and must be returned by May 15. If not received by June 15, a penalty can be assessed. Extensions beyond June 15 are not permitted.

The penalty for nonfiling of the required I&E forms is \$100 per day up to a maximum equal to 0.1% of the assessed value of the property. Additionally, state law prohibits the pursuit of appeals based on actual income capitalization when the I&E information has not been furnished as requested. I&E questionnaires are mandatory for properties assessed more than \$5,000,000.

Assessor's Approaches to Value

The income approach is the predominant method utilized on stabilized income-producing properties while the sales comparison approach is mostly applied to single-family residential properties. However, the sale of an individual property above the current assessment will see an assessment from 80–100% of the sale price in the next assessment cycle. The cost approach is used on special purpose properties.

Assessment Appeal Process

Assessor Level – In-cycle appeals must be filed within 45 days from the notice of assessment date. Notices are mailed the last week of December with most in-cycle appeal deadlines occurring mid-February of the following year. Out-of-cycle appeals must be filed by December 31 of the year immediately prior to the tax year that is to be appealed.

Property Tax Assessment Appeals Board – Appeals to the local Property Tax Assessment Appeals Board (PTAAB) must be filed within 30 days from the date of final notice from the assessor appeal. Depending on the county involved, an appeal can take anywhere from two months to two years to schedule a hearing.

Maryland Tax Court – Appeals to the Maryland Tax Court must be filed within 30 days from the date of the PTAAB's notice of decision. While this is still considered an administrative hearing, it is more formal than the preceding two levels of appeal. An attorney may be required to file this appeal. An independent fee appraisal report by a state-certified real estate appraiser is required to successfully pursue an appeal at this level. Tax court appeals are rarely filed because of the limited cost/benefit unless there is a substantial assessment and tax issue in question.

Property owners that disagree with the Maryland Tax Court decision can appeal further through the regular judicial system. This would be a formal trial before a judge. Each level of appeal can result in a decrease, increase, or no change to the proposed assessed value.

Appeal Rights for Ground Leases

Only those with interests in real estate that are subject to real property taxation are considered "owners" for purposes of appealing an assessment. A ground lease is not subject to real property taxation unless the ground lease is for a period of 99 years, or the term of the lease is perpetually renewable. If a new ground lessee met either one of the two requirements outlined above, they would be permitted to file an appeal as a "new owner" pursuant to the code.

Government Authority to Appeal

In 1976, local governments were granted the authority to appeal assessments by filing a petition for review. Taxpayers, counties, municipalities, and even the Attorney General can appeal an assessment within 45 days of the date of an assessment notice.

Montgomery County has been the only county to use this authority. No municipality had filed a petition until recently when the City of Baltimore, Rockville, and the City of Gaithersburg filed petitions. The Attorney General's Office has never filed a petition.

In recent years, Montgomery County has routinely filed appeals when a property sells for significantly more than the current assessment. Property owners and the SDAT have objected to these petitions for review by arguing that assessment increases outside of the three-year cycle effectively violate assessment uniformity, resulting in large variances in property assessments within the same neighborhood.

Out-of-cycle appeals by local municipalities were banned by state legislature. The reassessment prohibition holds true even if the sales price is substantially greater than the assessment's estimate of fair market value previously established for that triennial period. Thus, a purchaser of a Maryland property can harvest a substantial windfall, should the closing on the sale occur after the valuation date for a new triennial period.

Purchase of an Entity Owning Real Estate

Legislation enacted by the Maryland General Assembly requires that recordation and transfer taxes be collected on transfers of controlling interests in certain real property entities. The recordation and transfer taxes are imposed on the transfer of a controlling interest as if the real property (whether directly or beneficially owned by the entity) was conveyed by a deed filed in the county land records. Real property entity is defined by the state property tax code as “a corporation, partnership, association, limited liability company, limited liability partnership, other unincorporated form of doing business or trust that directly or beneficially owns real property in Maryland that constitutes 80% of the value of its assets and that real property has an aggregate value of at least \$1,000,000.”

Tax Rates

Tax rates in Maryland are traditionally very stable and do not change dramatically from year to year. There are state, county, and municipality components within each tax bill. Tax bills include non-ad valorem items, so tax bills may vary from location to location and even property to property.

Tax Bills

Tax bills, issued early June, are due July 1 and payable on or before September 30 to avoid late charges and penalties. No discounts are available with respect to the state portion of the bill, but discounts may be offered by local jurisdictions whose charges also appear on the bill.

Personal Property

Personal property is taxed on a separate tax bill and is based on the costs of personal property reported to the state assessor annually. Personal property tax returns for all locations in Maryland are due to SDAT by April 15.

Assessment notices are mailed to property owners once the return has been reviewed by a state agent. Property owners have 45 days from the notice issue date to appeal the assessment. After 45 days, the assessment is certified. Tax bills are issued shortly after the certification and are due 30–60 days after issue.

Maryland Tax Calendar

Real Estate

<i>Assessment Date</i>	<i>Jan 1</i>
<i>Appeal Deadline</i>	<i>45 days after notice is issued (usually mid-Feb)</i>
<i>I&E Surveys Due</i>	<i>May 15</i>
<i>Out-of-Cycle Appeal Deadline</i>	<i>Dec 31</i>
<i>Tax Bills Due</i>	<i>Sept 30</i>

Personal Property

<i>Assessment Date</i>	<i>Jan 1</i>
<i>Tax Returns Due</i>	<i>Apr 15</i>
<i>Tax Bills Due</i>	<i>Sept 30</i>