

ISSUE: Why is the assessment administered by the State Department of Assessments and Taxation?

Statewide Assessment Administration – Overview

The Maryland State Department of Assessments and Taxation (SDAT) was created in the late 1950's from what had been the Maryland State Tax Commission. Also the assessment appeal body function of the Tax Commission was moved to the then newly create Maryland Tax Court, a separate independent state agency not part of SDAT.

SDAT (and former State Tax Commission) was the oversight agency for assessment and tax administration and valued centrally certain specialized property (Corporate Personal Property and Regulated Utilities). The County Supervisors of Assessment and their staffs of assessors and clerical personal were county employees. Their operating budgets were funded by the counties; while the SDAT budget was funded by the state.

It had historically been the practice to revalue properties on a triennial basis throughout the state with the 1/3 of properties being valued being valued each year receiving their reassessment notice in that year. Similarly, a market calibrated cost approach (sales comparison approach and cost approach) to value was used in the mass appraisal process using a manual basis of cost tables, depreciation tables, and land tables and applied using individual property record cards and property sales analysis listings. Where appropriate, the income approach was considered.

While the SDAT had oversight and responsibility for all assessment functions statewide, many counties followed the administrative directions of the Director and State Supervisor of Assessments of the SDAT. There were some jurisdictions where there was a close allegiance to those that provided their funding. Similarly there were counties that did not provide appropriate funding for staff, office, and equipment. Salaries in some jurisdictions were adequate to retain appropriate work force, while in others they were at levels that could not attract persons with appropriate education and skills.

In the late 1960's and early 1970's, real property markets fluctuated greatly. In some areas values were "down" because of social unrest, in others "up" due to demand for housing, and then "down" for the first of two energy crises. As property values change, so must assessments to reflect current market value. This "uniformity" of assessment is required by a clause in the State constitution.

In the early 1970's in the midst of an inflationary cycle - as assessment notices were mailed reflecting large increases in assessed value - a class action suit was brought by property owners of Talbot, Anne Arundel County, Baltimore City, and Baltimore County against the SDAT and individually and personally against the Supervisors of Assessment in each of those counties and

the Director and State Supervisor of Assessment of the SDAT. The property owners did not like the increase in values or the plan of assessment

The result, known as the Judge Wray decision (of the Anne Arundel County Circuit Court) was a strict interpretation of the code which basically said that “if there was a change in any property value then the property was to be reassessed” whereas the SDAT was administratively assessing on a triennial basis. In other words, since market values were increasing rapidly county wide in the counties involved in the suit, this meant that all properties should have been valued, not just the 1/3 that had received notices.

Judge Wray noted that while the law required reassessment when there was a change in value, the assessor could not accomplish this unless there was proper assessment administration with appropriate funding, staffing and training. At the time, certain jurisdictions had not valued properties for various reasons. Some areas were not revalued because values might go down, in other areas large acreage parcels were not revalued because values were increasing or they did not have the time resources or training to adequately value. In still other areas properties were revalued appropriately. In other words, there was a “hodgepodge” of assessment practices some of which were contrary to law and administrative directive. While it was not the desired course of action for SDAT, SDAT considered, suing certain counties for not properly funding or administering the assessment functions. The suit never occurred, because of the state takeover of the assessment function.

With the Judge Wray decision, the numerous assessment administration issues of the time, and with property owner’s from across the state testifying in Annapolis about assessment problems and matters, the Maryland General Assembly passed State Assessment “Takeover” Legislation. This caused the state to assume funding of property assessment statewide over a three year period in the early 1970’s. In the first year, supervisors of assessment and county appeal board members became State funded positions. The second year saw assessors and clerical personal become state employees. In the third year, the costs of offices, fixtures and equipment became State funded. This was done to insure consistent funding and uniform assessment administration and practices statewide.

What did the Judge Wray decision do? In that first year, there was a roll-back of assessments (in the two most recently valued 1/3 groups to a common base - the year of the oldest most recently valued triennial group. This was done by applying “adjustment /inflation” factors to two groups. The next year, the SDAT went to an “annual” valuation cycle as required as a consequence of the Wray decision.

This meant that all properties would be valued and assessment notices sent to all property owners annually. One-third of the properties were field reviewed and valued annually and the other two-thirds were updated via indexing. While values were updated on a more frequent basis, there were problems with assessment uniformity in the indexed areas. Property owner appeals of

assessments increased significantly. Typically, two-thirds of the appeals came from the one-third of properties physically reviewed and one third of the appeals came from the areas (two-thirds of properties) that were indexed.

With annual assessment and a slower pace of finalizing appeals (because of volume), property owners would receive the next year's assessment notice before the last year's assessment was adjudicated. Often some assessment increases were nominal.

With these and other problems with annual assessment, the General Assembly passed triennial assessment legislation in the late 1970's which still the practice is today. It basically states that all properties shall be "assessed once every three years" and it removed the concept of "assessed if value changes". This legislation kept a frequent valuation cycle and brought order to the valuation and appeal process.

Also during this time, the General Assembly enacted measures to limit the impact of large assessment and property tax increases on certain property owners. These included "circuit breaker" tax credits for elderly and low income homeowners (state reimburses counties for this); "homestead" assessment increase limits in any one tax year, and finally an assessment "phase in law" that allowed any increase in full cash value from the last assessment to be phased in over the next three years. The net effect was to limit large increases in value and assessment from one year to the next. Similarly, the General Assembly focused attention on the distinction between the assessment administration function of the assessing authority and the tax rate setting and taxing responsibility of the taxing authority. It also passed a "truth in taxation" standard which established the "constant yield tax rate" law.

Statewide assessment administration has been in place for 40 years. During this time period, more uniform methods and systems have been instituted across the state in all 24 counties. One statewide, computer assisted mass appraisal system was first developed in the mid 1990's with standard records, record cards, methods and techniques, and reports in all counties. While assessment administration is always challenging and improvements can always be made, statewide administration has created uniformity of assessment statewide.

In the early 2000's, a study commission (Mandel Commission) was established by the new Governor to review the statewide assessment system after 30 years of operation. That study basically found that the current statewide assessment system administered by SDAT was performing as intended and should be continued with administration and funding from SDAT. As you all know, legislation was enacted in recent years providing that counties contribute to a portion of funding (with legislative oversight) for the administration of the assessment laws by SDAT since county governments are the primary recipients of the property tax dollars generated by the assessments.