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REPORT

OF

THE SUBCOMMITTEE ON

LOCAL PROPERTY ASSESSMENTS

TO

THE MARYLAND TAX REVISION

COMMISSION OF 1939

October 21, 1940

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Charles G. Lord, Chairman

The recommendations in this report have been tentatively approved by the Commission. Comments and criticisms are requested.

FINDINGS

The members of the Subcommittee on Local Property Assessments have investigated the assessment practices followed in the various counties and City of Baltimore and have also sent out questionnaires on the subject to certain officials and representative citizens of each county. The findings based upon this investigation and upon the answers received to the questionnaires may be summarized as follows:

(a) The Maryland law requires that property be "reviewed for assessment at least once in every five years". In spite of this the last general reassessment, scheduled for 1932, was postponed by legislative action and succeeding legislatures further postponed general reassessments. Nine of the counties made a general reassessment in 1937 and the remaining fourteen counties reassessed in 1939.

Property in the City of Baltimore has been subject to continuous assessment since 1900 and this problem does not arise as to it.

The continuous assessment plan was adopted for Frederick County in 1937 and for Anne Arundel County in 1939. It was also proposed for Baltimore, Harford, Queen Anne's and Washington Counties in 1939 but these proposals were dropped for various reasons not affecting the merit of the plan, including the pendency of general reassessments in that year.

(b) Many of the counties have experienced a rapid growth in population since 1927 when the last previous general reassessment was made. The portions of Baltimore, Montgomery and Prince George's Counties which border on the cities of Baltimore and Washington respectively took on many metropolitan characteristics the development being industrial as well as residential. Also certain areas in the more rural counties have

changed materially as a result of improved roads and better transportation facilities. Assessment machinery in the counties generally has not been geared to this development. Local assessors in many cases were not equipped or qualified by experience to cope with the problems brought about by the changing characteristics of such areas.

(c) The general reassessments which were finally made were disproportionately expensive as compared with the cost of periodic or continuous reassessment. The method followed also made it necessary to employ a large number of assessors who did not have the training or experience required to do the work properly.

(d) Only a few of the counties require building permits on new construction and even where such a permit is required it sometimes does not reach the assessor's office. As a consequence many new buildings, both residential and commercial, have escaped taxation altogether for a substantial period of time prior to the general reassessments.

(e) Tax maps are not available in most of the counties and no provision has been made for their preparation. Partly because of this a substantial amount of property has apparently escaped taxation for long periods of time and may be escaping taxation at the present time.

(f) Many of the assessors' offices have no adequate record of real estate sales, although this is one of the most valuable methods of determining whether assessed values generally are in line with market values.

(g) Except in Baltimore City there is no complete record of the value of exempt property.

(h) Some of the counties have deliberately attempted to assess property therein on the basis of less than 100% of its value. In addition there is a general failure to apply common standards in determining value.

(i) In most cases the County Commissioners, as the assessing body, are required by law to exercise conflicting functions which violate recognized principles of good government. They appoint, control the pay and direct the work of the individual assessors. In addition they must hear any appeals from the assessments thus made. They are consequently placed in the position of having to sit as judges on the work which their own employees have done under their direction.

It should be borne in mind that the County Commissioners are elected and that a change in county administration ordinarily results in the appointment of new assessors. Under such circumstances it is almost impossible for assessors not to be influenced by political considerations no matter how scrupulous the County Commissioners themselves may be. Similarly a taxpayer does not, in the first instance, have the benefit of an appeal to an independent body.

This combination of administrative and judicial functions has resulted in

(1) Widespread belief in some localities that assessments are subject to political influence;

(2) Subjection of the County Commissioners to pressure to which, as elected officers, they should not be subjected.

This situation is the fault of the law and not of the County Commissioners themselves. Some of the County Commissioners, recognizing the difficulty and the possible impropriety of their position, have

endeavored to place responsibility for assessments on a non-political board. The procedure in Frederick County is especially worthy of note in this regard.

CONCLUSIONS AND RECOMMENDATIONS

In order to overcome the conditions referred to above and in order to place property assessments on a more satisfactory and uniform basis throughout the State, the subcommittee recommends the following reorganization of local property assessment procedure and personnel:

1. All local assessments of property should be made by or under the supervision of a Chief Assessor, instead of being the responsibility of the County Commissioners as at present.

2. The sub-committee believes that the present Supervisors of Assessment are qualified to perform their duties and recommends that they be continued in office as the Chief Assessors of their respective counties.

Under the present law these officers are designated by the central taxing authority (at present the State Tax Commission) from lists submitted by the County Commissioners and have indefinite tenure, subject only to removal for cause. This plan has functioned effectively and gives both the County Commissioners and the central authority a voice in the selection of such officers. It is recommended that no change be made in the present system of appointment and tenure.

3. The number of assessors required to effect the continuous assessment of property in each county should be determined by the Chief Assessor in consultation with the County Commissioners, subject to final

decision by the State Department of Revenue which shall have the right to increase or decrease the number thereafter as circumstances, in its judgment, may warrant.

4. Assessors should be selected on the basis of competitive examination conducted by the State Employment Commissioner under the merit system, appointments to be made by the Chief Assessor with the approval of the State Department of Revenue.

5. All assessments should be made after notice and opportunity to be heard, as at present; and should be subject to appeal by the taxpayer or by the County Commissioners. Such appeals should be taken to the Board of Tax Appeals (the present State Tax Commission) with a further right of appeal on questions of law to the appropriate Circuit Court.

Owing to the large volume of cases the present appellate procedure in the City of Baltimore should be retained, under which intermediate appeals are taken to the Appeal Tax Court and from there to the Board of Tax Appeals (State Tax Commission).

6. The Board of Tax Appeals should be required to hear appeals in various parts of the State, with power to delegate one member to hear such appeals.

7. All property throughout the State should be under the continuous assessment plan so as to effect revaluation of each parcel at least once during every five years. This should result in substantial savings in view of the high cost of periodic general assessments by temporary and mostly inexperienced assessors. (In Baltimore County, for example, the cost of the recent reassessment was approximately $120,000 in addition to $15,000 per year provided for special assessors, which

represents an average annual cost of $36,000 if spread over a five year period.)

8. Railroad and other public utility operating property (excluding land) should be centrally assessed by the State Department of Revenue. Industrial property would continue under local assessment, with the aid of the State Department.

9. Tax maps for each county should be provided by the State Department of Revenue with the aid of available agencies of the State and Federal governments. Although this is properly a county responsibility, experience has demonstrated the difficulty or impossibility of having this done without State or Federal assistance.

10. The State Department of Revenue should have authority to employ a graduate engineer and a certified public accountant. It should also be required to prescribe forms to be used in assessment work and to keep a master file of sales and other relevant data from the various counties.

11. Building permits should be required on all new construction over a stated minimum cost or value.

12. Some appropriate procedure should be provided to furnish data to the assessing authorities with respect to the true consideration for all transfers of real estate.

13. The payment of all overdue taxes on real estate should be required as a condition on the transfer of such real estate on the land records, and appropriate procedure should be provided for the purpose of bringing to the attention of the assessing authorities all transfers of real property.

14. The State Department of Revenue should have power to determine what classes of firms and individuals should make annual reports of tangible personal property. (The tangible personal property of both domestic and foreign corporations is now centrally assessed on the basis of annual reports.)

15. Real property exempt from taxation should be valued and noted on the assessment records under appropriate classifications, in order that the extent of such property may be known and the merits of the claims for exemption reviewed from time to time.

16. To the extent appropriate the City of Baltimore should be treated as one of the counties for the purpose of the above. Most of the assessment procedure recommended is however already followed in the City of Baltimore.