SDAT & Local Revenue Framework

An Overview of Property Valuations, Assessment Limitations, and Subclass Governance for Local Taxation

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SDAT's Role in Revenue Generation

Providing independent, objective assessment base certification for both Real Property and Business Personal Property across Maryland.

SDAT Core Assessment Responsibilities

Pillar 1: Real Property Base

SDAT objectively assesses over 2.4 million real property accounts across local jurisdictions at full market value. SDAT certifies the assessable base, while local elected bodies set tax rates and collect revenues.

Pillar 2: Business Personal Property Base

SDAT centrally administers annual corporate filings and assesses tangible property (equipment, machinery, assets) for over 300,000 active businesses, certifying the taxable property base to local governments.

Pillar 1: Real Property Assessment

- **Triennial Reassessment Cycle:** Over 2.4 million accounts statewide are divided into three groups; one group is reassessed every three years at full market value.
- **Three-Year Phase-In:** Assessment increases are phased in equally over three tax years to avoid sudden tax spikes for property owners.
- **Immediate Decreases:** Reductions in property market value take effect fully in Year 1 of the cycle.
- **Local Base Certification:** Net certified real property values are transmitted annually to local finance departments to compute local tax bills.

Pillar 2: Business Personal Property

Annual Form 1 Filing

Every business entity registered in Maryland files an Annual Report by April 15 annually through Maryland Business Express.

Standardized Depreciation

SDAT assesses business personal property (furniture, machinery, computer hardware, tools) using uniform, state-prescribed rate schedules applied to original acquisition cost.

Base Certification & Exemption

SDAT certifies personal property values directly to local subdivisions for billing. Businesses under the $20,000 original cost threshold are exempt (§ 7-245).

Split-Rate Assessment Limits

Examining why SDAT cannot perform separate land and improvement market valuations under current mass appraisal architecture.

Understanding Split-Rate Tax

Unified Market Appraisal (Current)

Property is valued as a single economic unit based on total market sales, cost depreciation, or capitalized income. The land vs. building breakdown is an administrative allocation, not two separate valuations.

Split-Rate Concept (Proposed)

Split-rate taxation taxes land and structural improvements at different rates (e.g., higher tax rate on land value to incentivize development). This requires independent market valuation of underlying land.

Feasibility & System Barriers

Lack of Land Sales

In mature built-out markets, vacant land sales are virtually non-existent. Determining independent land value requires speculative residual extraction models unsupported by market data.

CAMA Software Limits

SDAT's Computer-Assisted Mass Appraisal (CAMA) software and database models are built around total property value. Re-engineering software for split valuation is technically not feasible.

Appeal Vulnerability

Arguing separate land and building values at Property Tax Assessment Appeal Boards (PTAAB) and Tax Court would trigger endless litigation, destabilizing county tax bases.

Cost Breakdown & Fiscal Impact

Resource / System Requirement	Operational & Technical Burden	Fiscal & Administrative Impact
CAMA Software & Database Overhaul	Re-architect mass appraisal software to support split valuations and custom local subclasses.	Multi-million dollar IT capital project with extended implementation timeline.
Appraisal Staffing & Re-Inspection	Additional field assessors needed for land extraction modeling and mixed-use audits.	Significant ongoing personnel budget expansion for state and local offices.
Legal & Tax Court Appeals	Defending uncoupled land assessments and custom subclass challenges at PTAAB and Tax Court.	Increased litigation expenses and potential revenue refunds due to adverse rulings.
Local Class Verification Overhead	Counties verifying parcel-level compliance if non-standard subclasses are enacted.	New administrative and auditing burdens shifted directly to county revenue offices.

Subclass Standardization

Why maintaining centralized, pre-defined property subclasses is essential if counties receive authority to set differential tax rates.

Local Differential Tax Rates

24
Counties

160
Municipalities

Maryland Local Jurisdictions

The Challenge of Local Rate Authority

If counties gain statutory authority to apply different tax rates to different types of property (e.g., commercial vs. residential vs. vacant), the definition of property categories must remain unified.

Allowing each jurisdictions to invent custom property definitions would compromise statewide database compatibility, create serious administrative burdens, and lead to unequal treatment of taxpayers.

Established Subclass Framework

Subclass Category	SDAT Primary Definition Criteria	Tax Policy Objective
Residential Property	Single-family homes, townhouses, condominiums (1-4 units)	Protect primary homeowner affordability & stability
Commercial & Industrial	Income-producing retail, office, multi-family (5+), industrial	Reflect business service demand & commercial economic activity
Agricultural Land	Actively farmed land receiving agricultural use assessment	Preserve farm preservation incentives & natural resource land
Vacant Land	Unimproved lots or unimproved vacant residential structures	Support targeted infill development & blighted land policy
Operating Public Utility	Energy, telecommunications, and regulated utility infrastructure	Standardize centralized assessment of utility assets

Why Pre-Defined Subclasses Matter

- **Statewide Uniformity & Taxpayer Equity:** Prevents arbitrary reclassification of properties across county lines and ensures equal protection under Maryland tax law.
- **System Compatibility:** Keeps SDAT's central IT database functioning without forcing 24 distinct software configurations for every county.
- **Prevents Boundary Gaming:** Clear statutory criteria stop property owners from lobbying local councils for custom tax-rate loopholes.
- **Administrative Efficiency:** Allows SDAT assessors to classify property during routine appraisals rather than resolving local policy disputes.

Questions & Discussion

Thank you for your partnership and dedication to Maryland fiscal policy.

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