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E50C

Department of Assessments and Taxation

Response to Operating Budget Analysis

Senate Health & Human Services Subcommittee Hearing: February 23, 2018

House Public Safety & Administration Subcommittee Hearing: February 28, 2018

Thanks to the dedication and hard work of the Department's staff, a continued focus on improved customer service by management, and inspired leadership by the Governor's team, 2017 was an excellent year for the Maryland State Department of Assessments and Taxation (SDAT). SDAT's Real Property and Taxpayer Services teams realized significant accomplishments and related efficiencies in 2017, bolstered by SDAT's Office of Information Technology's modernization efforts.

Some of these key accomplishments include:

Real Property:

- **Transparency in Assessments Report:** Analysis submitted to the General Assembly shows overall accuracy rate of 97% when classifying sales as arms-length and non-arms length.
- **Assessment Metrics Remain Strong:** Assessment metrics continue to fall within industry standards measuring accuracy: assessment-to-sales ratio, coefficient of dispersion, and price-related differential.
- **Enterprise Zone Tax Credit Program:** Finalized a standardized certification letter with the Department of Commerce and developing procedures for increased communication between SDAT, Commerce, and DBM.
- **Queen Anne's County Tornado Assistance:** Assisted property owners during the aftermath, abating more than \$8 million in assessed value giving relief to 61 properties.

Taxpayer Services:

- **More Services Offered Online:** Trade Name Applications can now be reserved online and Certificates of Good Standing issued immediately upon request. Instead of just displaying "not in good standing," the public online search now displays the reason why and suggests steps to remedy that status. PayPal added as a payment option.

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- **Annual Filing Process Streamlined:** The old “Form 1” was separated into an “Annual Report” and “Personal Property Tax Return” to more clearly distinguish the dual purpose of this filing.
- **Annual Email Reminders:** Distribution lists created and placed in prominent locations to send reminders to submit Homeowners’ and Renters’ Tax Credit applications, file Annual Reports and Personal Property Tax Returns, and receive general SDAT news updates. Today, these lists contain more than 110,000 unique emails.

Information Technology:

- **Upgraded Hardware:** Completed replacement of all Windows XP computers, including 540 new computers and 620 new monitors for headquarters and SDAT’s 24 local offices. Installed webcams on computers throughout the Department.
- **Upgraded Software:** Completed a department-wide update from Windows XP to Windows 7.
- **Increased Security:** Implemented hard drive encryption on all computers.
- **Scanning:** Began in-house scanning operations to upload paper documents; scanning 16,000 documents and 54,000 pages per month.

Employee Training:

- **Agile Project Management:** TPS leadership team underwent a training course, sponsored by the Department of Human Resources.
- **Online Courses:** 100 licenses distributed for Lynda.com, which provides numerous training courses on topics such as customer service, time and employee management, and digital literacy.
- **Workplace Sensitivity Training:** Developed and presented an in-house sensitivity training seminar, covering topics such as workplace bullying and sexual harassment.
- **Handling Sensitive Data:** Developed an in-house Federal Tax Information training program and assessment.

Furthermore, as discussed in the Department’s FY17 Customer Service Annual Report, SDAT continued to demonstrate outstanding customer service as more than 90% of customers report being satisfied with their experience. In 2017, customer service feedback cards were placed in all public areas through the Department’s 24 local offices and headquarters. The leadership team

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also developed new ways to recognize SDAT's many outstanding employees through a "Superstar Shout-out" initiative. Signed by the director, these cards are printed out whenever a customer gives a "shout out" to a specific employee, and are then presented to the employee by their supervisor or a member of our leadership team. Since January 2017, more than 700 employee-specific shout-outs have been received.

SDAT is excited for 2018, and will continue to improve the service provided to our customers while moving towards a paperless environment. Resolutions, Cancellations, and overdue Annual Reports and Personal Property Tax Returns will be able to be filed online. 200 existing forms will be updated and consolidated into 50 fillable PDFs. Hundreds of thousands of documents stored in local offices on deteriorating microfiche will be scanned and uploaded as digital images. SDAT's major IT initiative—the Strategic Enterprise Application Network—will launch, allowing for homeowners' and renters' to apply for tax credits online rather than in-person or through the mail.

In its analysis, DLS makes recommendations on three topics:

1. The Administrations' push for local assessment cost reallocation,
2. DLS' staffing inadequacy study and SDAT's 2018 legislation to cure that deficiency, and
3. A pipeline report on the Enterprise Zone Tax Credit Program.

1. Administration Makes Push for Increased Local Assessment Cost-Sharing

SDAT fully supports the budget and the BRFA, and there will be no impact on departmental operations caused by the proposed fund swap. The Department's total allocated budget remains the same, only the source of funds changes.

The Department is heavily focused on providing excellent service to its customers, which includes not only the citizens, homeowners, and businesses of the State of Maryland, but also the County Finance Officers that rely on our services for the issuance of their tax bills. We strive to provide prompt, courteous, and efficient service to our County customers, working closely with them to ensure that their tax bills are accurate and timely. The Department maintains an open-door policy with regard to any questions, concerns or suggestions from the various County Finance Offices that it serves, and looks forward to not only continuing, but building upon, that productive relationship in the years to come. The source of the Department's funding will not impact any of these services provided.

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2. SDAT's Proposed Legislation Will Cure Staffing Study Findings

Although the staffing study notes that SDAT would need 200 assessors costing \$10 million annually to physically inspect every property as required by statute, the Department believes that requirement is outdated and unnecessary. The statute was first enacted in 1970 at a time when county governments did not routinely provide the Department with copies of all building permits and other tools and resources were unavailable. More than half-a-century ago, physical inspections were necessary to find these improvement additions.

That is why SDAT has proposed SB10, which would repeal the requirement that SDAT performs a physical inspection of every property in every three year assessment cycle. It would replace it with a requirement to perform physical inspections in all reasonable circumstances: where the property value is being initially established, a significant change has occurred to the property, the property has sold and the Department deems an inspection necessary for the purpose of a market analysis, the taxpayer requests an inspection as part of an active appeal, or within 30 days when a county requests an inspection of an improvement more than \$1 million. This bill would bring SDAT's procedures more in-line with the International Association of Assessing Officers' standards (which do not require physical inspection of every property so frequently), is publicly supported by MACo, and has passed the Senate unanimously.

3. A Pipeline Report on the Enterprise Zone Tax Credit Program

SDAT has had numerous conversations with Commerce and DBM over the past year about how our Departments can increase coordination when administering the Enterprise Zone Tax Credit Program. As DLS suggests, although Commerce certifies new zones, it is important that SDAT is aware of these zones in advance so it can develop more accurate budget projects for DBM and the General Assembly.

These conversations have already resulted in an improved certification letter, and our Departments' goal is to have improved notification procedures in place by the next round of applications that are due April 15. Commerce has updated their procedures to notify SDAT both when a county or municipality submits their application by the April 15 and October 15 deadlines, and when Commerce designates an enterprise zone by the June 15 and December 15 deadlines.

These new notification procedures, and increased coordination and communication generally, will greatly improve SDAT's Enterprise Zone Tax Credit Program budget projections for DBM and the General Assembly.