



**DEPARTMENT OF
ASSESSMENTS AND TAXATION**

Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Michael L. Higgs, Jr., Director

E50C

Department of Assessments and Taxation

Response to Operating Budget Analysis

Senate Health and Human Services Subcommittee Hearing: February 19, 2021

Due 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, 2020 was an excellent year for the Maryland State Department of Assessments and Taxation (SDAT) even with the complications of the pandemic. SDAT's Real Property and Taxpayer Services teams realized significant accomplishments and increased efficiency in 2020. Some of the Department's key accomplishments include:

Real Property:

- All important assessment metrics remain strong (assessment-to-sales ratio, coefficient of dispersion, and price related differential); these metrics continue to fall well within industry standards measuring accuracy.
- Successfully administered the Enterprise Zone Tax Credit program; the Special Assistant to the State Supervisor administered local jurisdiction reimbursement of the credit which included discovering calculation errors in submitted reimbursement requests that saved the State over \$630,000.
- Throughout the past three years, the overall statewide increase for 759,423 "Group 3" residential and commercial properties (concluding on January 1, 2021) was 8.1%. All 23 counties and Baltimore City experienced an increase in residential property values. Further, 21 of the 24 jurisdictions experienced an increase in commercial property values. The overall statewide increase nearly matched 2019's 8.9% triennial increase. The aforementioned total represents an average triennial increase in value of 7.5% for all residential properties and 9.7% for all commercial properties since the last Group 3 reassessment in 2018.

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- In September 2019, SDAT promoted Daniel Phillips to State Supervisor of the Real Property Division. Mr. Phillips brings a wealth of knowledge to the role, as former State Commercial Supervisor and a 32 year veteran of the agency.
- The Real Property Division distributed over 250 laptops to employees while implementing telework throughout the 24 local offices to ensure SDAT could continue to achieve its mission during the COVID-19 pandemic.
- Real Property has implemented an optional video appeal hearing process using Google Meet for the 2021 appeal year to give taxpayers increased appeal flexibility.
- Despite COVID restrictions, Real Property processed 29,753 assessment appeals and 108,324 property owner transfers during the 2020 calendar year. The Program also added new construction valued at \$8,675,017,500 to 13,224 taxable accounts during the 2020 tax year.

Taxpayer Services:

Taxpayer Services Management:

- Successfully transitioned from a 0% telework environment to a 70%+ telework environment.
- Equipped all applicable staff with laptops and softphone applications (which are used for answering calls remotely using laptops), including assigning 59 monitors for home use (dual monitors).
- Completed management training for all supervisory staff provided by CCBC.
- Assigned 42 LinkedIn Learning licenses and created two learning curriculum--one for Taxpayer Services leadership and one for managing shared emails.

Charter Services:

- Fast-tracked the placement online of 15 new filings in April 2020 that were necessary for businesses to retain or regain good standing status (a requirement necessary to apply for PPP loans and other types of COVID-related relief). Waived expedited fees for these filings for all business owners through October 2020, resulting in \$250,000 in savings for businesses.
- The latter half of 2020 saw an all-time high in the number of businesses in good standing in Maryland.
- In CY20 there were 91,919 businesses formed (22% more than in CY19) and 8,543 businesses revived (11% more than in CY19). Total charter filings increased by approximately 10% and the number filed online increased by 74%.

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- Created a process which allowed customers whose paper documents are rejected to email back their resubmissions.
- Assembled a Quality Control Team in Charter Filing with new permanent responsibilities to cure audit findings.
- Mid-way through the reorganization of the Scanning and Imaging team to increase the timeliness of scanning incoming documents, including Charter, Business Personal Property, and Tax Credit Applications; front-end digitization of these documents will create many efficiencies in the program when completed in spring of 2021.

Tax Credits:

- Passed legislation during the 2020 general assembly session to extend the deadline for submitting Homeowners' and Renters' Tax Credit applications (HTC and RTC, respectively) from September 1 to October 1. Later in 2020, temporarily extended the deadline from October 1 to October 31 due to COVID; approximately 4,000 Maryland residents who filed in October (3,000 homeowners and 1,000 renters) benefited from the additional extension.
- Use of online applications, instituted as a part of project CRIS in late 2018 increased significantly in CY20: 15,669 or 20% of all HTC applications (222% more than in CY19) and 1,917 or 12% of all RTC applicants (529% more than in CY19).
- Tax Credit Awareness Campaigns: Postcards sent to Maryland residents who may be eligible but haven't yet applied (133,706 sent to homeowners and 6,238 to renters).

Customer Service Contact Center:

- This program was established January 1, 2020, and following the mandatory teleworking announcement, this new team immediately adjusted to answer calls remotely and received more than 100,000 calls in CY20.
- The Customer Service Contact Center Manager, Jaimonese Clark, was presented with a Governor's Customer Service Hero Award at a BPW meeting for her efforts leading this team.

Business Assessments:

- Successfully merged the Business Personal Property, Utility Assessments, and Franchise Tax teams into one Business Assessments unit.
- Automatically extended the Annual Report filing deadline for all businesses from April 15 to July 15 in response to the pandemic.

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Tax Sale Ombudsman:

- Created on January 1, 2020; issued its first Annual Report later that year.
- Created a website that hosts more than 100 resources geared towards assisting low-income homeowners from various levels of government and third-party organizations.
- Received and responded to 12 times more emails and double the number of phone calls in January 2021 as compared to January 2020, demonstrating that outreach actions have been successful.

Headquarters:

Office of Information Technology:

- Project CRIS (formerly project SEAN) phase I continued in 2020, resulting in an increase of the number of filings that can be submitted online. The 2021 HTC and RTC Applications were made available *via* the One-Stop Portal, and SDAT completed the Statement of Work to complete HTC, RTC and Homestead applications' back-end processing in the portal. Phase II includes redeveloping and moving the current mainframe back-end system to a modern, cloud-based platform, and will replace the current MBES system. MBES is an antiquated COBAL program run on a green screen system. These additions can be found in DoIT's submission of CRIS budget realignment and updated goals.
- Technological Achievements:
 - Migrated Allegany County, Baltimore County, Montgomery County, and Prince George's County offices to Voice over Internet Protocol (VoIP); over 170 lines were transferred to the new system.
 - Provided the ability for the majority of staff to telework; 450 laptops have been deployed to date and another 22 laptops are scheduled for deployment in March 2021.
 - Continuing to manage the microfilm conversion of aged Charter documents; thus far 2,236 microfilm cartridges have been converted into images, 1,489 indexed, and 492 imported into SDAT's imaging software. Expected completion of project by June 2021.

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Human Resources:

- **Successful Employee Training Programs:** In 2020 the Department created and assigned multiple Learning Paths in Linked-In Learning. The learning licenses have brought an excellent return on the investment; program managers use the courses as training opportunities during PEP reviews, and our staff has commented positively on the content available.

Procurement and Telecommunications:

- With some prescient foresight by Executive Management, the Agency was actively sourcing and procuring Personal Protection Equipment and teleworking equipment as early as February 2020. Through MEMA and regular suppliers, we were able to ensure that each county office and program had adequate PPE supplies, and were teleworking to the best of their abilities almost immediately after news of the pandemic became public. The Agency purchased and deployed over 450 new desktop/telework laptops and procured and set up over 175 mobile devices to meet the Governor's pandemic work-related initiatives. In May and June of 2020, 18 Real Property offices needing extra barrier protection were outfitted with plexiglass windows. Lastly, Procurement has maintained business as usual for record retention and shredding schedules, and successfully addressed any program affected by a positive COVID case by securing and deploying deep-cleaning services as needed, within 24 hours of notification.

Customer Service and Employee Appreciation:

- **Increased Customer Satisfaction Surveys:** SDAT continues to promote customer feedback, either by paper or online, and saw customer satisfaction surveys reflect the emphasis placed on simplified processes and individualized assistance. Over 97% of customers who submitted feedback were either "Very Satisfied," "Somewhat Satisfied" or "Good," increasing the department's average by 9.62% over the prior year. This result is 12.6% higher than the statewide average of 87%.
- An average of 100 "Super Star Shout-out" cards were given to employees each month who received positive feedback from customers. COVID temporarily halted receipts of the paper cards, but those will begin being issued again in Spring 2021.
- During the fall charity drive, \$9,959.10 was raised for the Maryland Charity Campaign. That amount equaled 152% of the department's set goal of \$ 6,553.00, and an over \$1,400 increase from last years' donations, despite the in-person fundraising restrictions caused by COVID.

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In its analysis, DLS asks the Department to comment on its progress and challenges in hiring for the Real Property Division, any factors causing homeowner's and renter's tax credit payments to decline, and the Tax Sale Ombudsman's office's tax sales data and 2020 progress.

A. Real Property Valuation: Hiring Initiatives, Turnover, and Annual Salary Review

The Real Property Division continues to experience staff shortages, particularly within the assessor positions. During the 2020 calendar year 31 employees left the division, with most of the departures due to planned retirement. This included three of the five most senior level positions in the division. There are currently an additional 29 employees eligible for retirement.

As the Real Property Division primarily promotes from within, each retirement creates a chain-reaction of promotion to fill the higher-level position, causing a lower-level vacancy that ultimately reaches down to the Assessor I classification.

In 2020 the division filled ten positions. During this same time five assessor positions were permanently eliminated due to budget reductions. Currently, twenty-eight positions are now in various stages of recruitment. These positions include four internal promotional management positions, eleven Assessor I positions, and three clerical positions.

While the assessor position recruitments normally receive many applicants meeting the minimum qualifications to apply, we continue to find that only a small number of the applicants can successfully complete a basic math skill test used as part of the interview test. These skills are required for the position and result in a high number of candidates being eliminated.

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B. Decline in Applicants for Homeowner’s and Renter’s Tax Credits

Another way of looking at these tax credits is by application/calendar year instead of fiscal year, which gives a more accurate perspective of how the credits are distributed. The following numbers compare a report run on 2/13/21 for 2020 tax credits, and a report run on 2/8/20 for 2019 tax credits:

Homeowners’ Tax Credits

	Received	Approved	More Information Requested	Not Yet Reviewed
2019	61,300	41,301	1,747	2,279
2020	64,966	37,615	4,939	4,261

Renters’ Tax Credits

	Received	Approved
2019	10,941	8,022
2020	11,194	7,480

The Department received 5.98% more 2020 Homeowners’ applications than in 2019, and 2.31% more Renters’ applications than in 2019, due to COVID-related awareness efforts and the extension of the filing deadline through October 31. Due to the deadline extension, there are also more outstanding applications to be reviewed, which will eventually increase the number of approved applicants.

SDAT’s implementation of a digital imaging system for tax credits in 2018, and online application submissions in 2019, have both been tremendously beneficial during COVID. The Department is excited to launch the next phase of this modernization effort in February, 2022, with automated back-end processing of online-filed applications, which will greatly speed the time from application to grant of these important tax credits.

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- 17,182 HTC applications were submitted online in 2020; 2,795 during the month of October alone.
- 2,270 RTC applications were submitted online in 2020; 563 during the month of October alone.

Despite this increase in participation, there are still thousands of homeowners and renters who would likely be eligible for these credits but are unaware of their existence, which is why SDAT conducts an annual mailing as mentioned in DLS' analysis to encourage them to apply, and began including information about these credits on the Department's annual real property reassessment notices. Although prior to COVID the Department was frequently invited to and attended community outreach events, those kinds of in-person opportunities have not been possible over the past year, and any similar invitations have been correspondence over email, and not virtual events. Collaborations with the new Tax Sale Ombudsman's office, and other state agencies that administer low-income tax credit programs, will result in increased attention to these tax credit programs in the future, as will a return to more regular community outreach events once the pandemic has passed.

It has always been difficult to project participation in the program, as eligibility for the program depends on economic conditions such as the applicant's gross household income or tax/rent liability due, but the Department anticipates an increase in 2021 applications received and credits granted as those applications will depend on 2020 income, which likely decreased for many due to the pandemic.

C. Tax Sales Occurring in 2021, and Tax Sale Ombudsman Office's Activities

Program Organization and Activities:

Since its launch in January 2020, the program has seen a steady increase in the number of homeowners who are contacting the Ombudsman's Office for help. Already this year, the office has received nearly twelve times as many emails in January and February as compared to all of last year, and have almost doubled the number of homeowners who've reached out by phone. These numbers reflect a growing awareness of the program, and SDAT plans to build on this momentum in 2021.

The most important outreach method available to the program is the counties' Final Bill & Legal Notice letter. Every Maryland homeowner with delinquent property taxes who is at risk of tax sale receives this letter at least 60 days prior to their county's tax sale. It prominently displays information about the State Tax Sale Ombudsman's Office and encourages homeowners to visit its website and contact by phone or email for individualized assistance with their delinquent

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taxes. The letter reaches homeowners at a critical moment when they realize the seriousness of their situation and the need to take action. Most homeowners helped by the program in 2020 reported that they found out about the Ombudsman's Office by receiving this letter. In a typical year, the counties send out about 100,000 of these letters to homeowners at risk of tax sale. In 2020, with half of Maryland counties cancelling tax sales, counties only sent about 50,000 letters. Because of a reinstatement of those tax sales, the program anticipates at least twice as many contacts with homeowners in 2021.

Over the past 14 months, as more information, resources and news updates have been added to the website, homeowners increasingly state that they found the program's office online by searching "Maryland tax sale," where SDAT's program is the first result. Homeowners who find the program online are often either looking for help with their taxes but not yet at risk of tax sale or are trying to make a redemption payoff after a lien was sold on their property at tax sale. The website hosts more than 100 resources from various levels of government and third-party organizations geared towards assisting low-income homeowners.

Homeowners who apply for the Homeowners' Property Tax Credit but need additional assistance with their taxes are referred internally by SDAT's Tax Credits Division to the State Tax Sale Ombudsman's Office, where additional resources are provided to assist. Also, homeowners who reach out to SDAT's Real Property Assessment offices are also referred to the Tax Sale Ombudsman's office if they report having difficulty paying their tax bill.

The Ombudsman's Office has also built referral relationships with representatives from state agencies, including the Maryland Department of Aging and the Maryland Department of Human Services, who refer homeowners to this office when they need help with property tax issues. Finally, local county finance offices across the state regularly refer homeowners to the Ombudsman's office when homeowners express concern about their ability to pay their bills, at all stages of the tax year.

Over the past year, the Ombudsman's Office has developed an extensive network of partner service providers, counselors, nonprofits and community-based organizations that help homeowners, and has compiled over 100 resources for homeowners across the state, in every county. In the past several months, the office planned to collaborate regularly with local community groups and partner service providers that hold outreach events, but due to the pandemic, most of these outreach events have been cancelled until further notice.

In virtual meetings with work groups, including as a member of the Attorney General's Access to Justice Task Force's Housing Committee and Homeowner's Subcommittee, the Ombudsman's Office has met with representatives of various assistance groups and discussed strategies for

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future outreach, as well as explored policies to help homeowners who are particularly hard to reach.

2021 Tax Sales:

All but one county conducts a tax sale every year; Wicomico County holds its sale every other year. Typically, all tax sales are held from March through June, prior to the next year's tax billing cycle that starts on July 1, as follows:

- March - St. Mary's
- April - Calvert
- May - Allegany, Baltimore City, Baltimore County, Charles, Frederick, Garrett, Howard, Kent, Prince George's, Queen Anne's, Talbot, Worcester
- June - Anne Arundel, Caroline, Carroll, Cecil, Dorchester, Harford, Montgomery, Somerset, Washington, Wicomico

The first tax sale of 2021 is scheduled in St. Mary's County for March 5. To date, all 24 counties plan to hold tax sales in 2021, though most sale dates are still to be announced. No counties have announced their intention to delay or cancel their tax sales yet this year, as many did last year due to the pandemic. Some counties that cancelled their tax sales last year believe that they are prevented from cancelling their sales again this year, even if they wanted to, because statute requires them to hold a tax sale at least every other year.

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