

SENATE BILL 116

Q1, Q2

(PRE-FILED)

3lr0757
CF HB 450

By: **Senator Benson**

Requested: November 14, 2022

Introduced and read first time: January 11, 2023

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted with floor amendments

Read second time: March 8, 2023

CHAPTER _____

1 AN ACT concerning

2 **Property Tax – Municipal Corporation Business Personal Property Tax Rate**
3 **and Local Government Reporting Requirements – Alterations**

4 FOR the purpose of requiring a certain amount of State aid to be discontinued if a county,
5 municipality, or special taxing district does not submit a certain audit report within
6 a certain time frame of the deadline for the report, subject to a certain condition;
7 altering the municipal corporation tax rate applicable to business personal property
8 and certain operating real property to be not more than a certain amount; ~~applying~~
9 ~~the limitation on the municipal corporation tax rate to special rates prevailing in a~~
10 ~~taxing district or part of a municipal corporation~~ requiring the City of Seat Pleasant
11 to hire a certain entity to perform a certain audit by a certain date; and generally
12 relating to the taxation of business personal property and local government reporting
13 requirements.

14 BY repealing and reenacting, without amendments,

15 Article – Local Government
16 Section 16–304
17 Annotated Code of Maryland
18 (2013 Volume and 2022 Supplement)

19 BY repealing and reenacting, with amendments,

20 Article – Local Government
21 Section 16–306
22 Annotated Code of Maryland

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 (2013 Volume and 2022 Supplement)

2 BY repealing and reenacting, with amendments,
3 Article – Tax – Property
4 Section 6–303
5 Annotated Code of Maryland
6 (2019 Replacement Volume and 2022 Supplement)

7 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
8 That the Laws of Maryland read as follows:

9 **Article – Local Government**

10 16–304.

11 (a) (1) Except as provided in paragraph (2) of this subsection, on or before
12 October 31 after the close of its fiscal year, each county, municipality, and special taxing
13 district shall file with the Department of Legislative Services a financial report for that
14 fiscal year.

15 (2) (i) A county, municipality, or special taxing district with a
16 population of over 400,000 may file its financial report on or before December 31 after the
17 close of its fiscal year.

18 (ii) Unless subparagraph (i) of this paragraph applies, Howard
19 County may file its financial report on or before November 30 after the close of its fiscal
20 year.

21 (iii) Allegany County, Calvert County, Caroline County, Charles
22 County, Frederick County, Garrett County, Queen Anne’s County, St. Mary’s County,
23 Somerset County, Talbot County, and Wicomico County may file the county’s financial
24 report on or before December 31 after the close of the county’s fiscal year.

25 (b) The financial report required under subsection (a) of this section shall be:

26 (1) prepared on the form established by the Department of Legislative
27 Services; and

28 (2) verified by the chief executive officer of the county, municipality, or
29 special taxing district.

30 (c) If a county, municipality, or special taxing district does not comply with
31 subsection (a) of this section, the Comptroller, on notice from the Executive Director of the
32 Department of Legislative Services, may order the discontinuance of all money, grants, or
33 State aid that the county, municipality, or special taxing district is entitled to receive under
34 State law, including money from:

- 1 (1) the income tax;
2 (2) the tax on racing;
3 (3) the recordation tax;
4 (4) the admissions and amusement tax; and
5 (5) the license tax.

6 16-306.

7 (a) The county, municipality, or special taxing district shall report the results of
8 the audit required under § 16-305 of this subtitle to the Legislative Auditor:

9 (1) on the form and in the manner that the Legislative Auditor requires;
10 and

11 (2) on or before the date the financial report of the county, municipality, or
12 special taxing district must be filed under § 16-304(a) of this subtitle.

13 (b) An audit report filed by a county, municipality, or special taxing district with
14 the Legislative Auditor shall include financial statements of the county, municipality, or
15 special taxing district that are:

16 (1) prepared in accordance with generally accepted accounting principles;
17 and

18 (2) audited in accordance with generally accepted auditing standards.

19 (c) An audit report filed with the Legislative Auditor is a public record.

20 (d) [If] EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS SECTION, IF a
21 county, municipality, or special taxing district does not comply with subsection (a) or (b) of
22 this section, the Comptroller, on notice from the Executive Director of the Department of
23 Legislative Services, may order the discontinuance of all money, grants, or State aid that
24 the county, municipality, or special taxing district is entitled to receive under State law
25 that are distributed by the Comptroller, the clerks of the court, or any other unit of State
26 government.

27 (E) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, IF A COUNTY,
28 MUNICIPALITY, OR SPECIAL TAXING DISTRICT DOES NOT COMPLY WITH SUBSECTION
29 (A) OR (B) OF THIS SECTION WITHIN 1 CALENDAR YEAR AFTER THE DEADLINE
30 DESCRIBED IN SUBSECTION (A)(2) OF THIS SECTION, THE EXECUTIVE DIRECTOR OF
31 THE DEPARTMENT OF LEGISLATIVE SERVICES SHALL NOTIFY THE COMPTROLLER
32 AND THE COMPTROLLER SHALL ORDER THE DISCONTINUANCE OF 20% OF ALL

1 STATE AID FOR POLICE AID, HIGHWAY USER REVENUES, AND DISPARITY GRANTS
 2 THAT THE COUNTY, MUNICIPALITY, OR SPECIAL TAXING DISTRICT IS ENTITLED TO
 3 RECEIVE UNDER STATE LAW THAT IS DISTRIBUTED BY THE COMPTROLLER, THE
 4 CLERKS OF THE COURT, OR ANY OTHER UNIT OF STATE GOVERNMENT.

5 (2) IF A COUNTY, MUNICIPALITY, OR SPECIAL TAXING DISTRICT THAT
 6 HAD FUNDS DISCONTINUED UNDER PARAGRAPH (1) OF THIS SUBSECTION SUBMITS
 7 THE AUDIT REPORT REQUIRED UNDER THIS SECTION WITHIN THE SAME FISCAL
 8 YEAR AS THE DISCONTINUANCE, THE EXECUTIVE DIRECTOR OF THE DEPARTMENT
 9 OF LEGISLATIVE SERVICES SHALL NOTIFY THE COMPTROLLER AND THE
 10 COMPTROLLER SHALL ORDER THE CONTINUANCE OF THE FUNDS DISCONTINUED
 11 UNDER PARAGRAPH (1) OF THIS SUBSECTION.

12 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read
 13 as follows:

14 **Article – Tax – Property**

15 6–303.

16 (a) (1) Except as provided in paragraph (2) of this subsection, in each year
 17 after the date of finality and before the following July 1, the governing body of each
 18 municipal corporation annually shall set the tax rate for the next taxable year on all
 19 assessments of property subject to municipal corporation property tax.

20 (2) If not otherwise prohibited by this article, the governing body of a
 21 municipal corporation may set special rates for any class of property that is subject to the
 22 municipal corporation property tax.

23 (b) The governing body of a municipal corporation may change a property tax rate
 24 that is fixed in its charter if:

25 (1) the rate causes a loss of revenue because of exemption of property that
 26 is subject to the tax rate; or

27 (2) a loss of revenue is caused by any special rate of municipal corporation
 28 property tax.

29 (c) (1) ~~(1)~~ Unless otherwise provided by the governing body of the
 30 municipal corporation~~;~~

31 ~~(1)~~ there shall be a single municipal corporation property tax rate for
 32 all real property subject to municipal corporation property tax except for operating real
 33 property described in § 8–109(c) of this article~~;~~ and

(ii) the].

~~(2) PARAGRAPH (1) OF THIS SUBSECTION DOES NOT AFFECT A SPECIAL RATE PREVAILING IN A TAXING DISTRICT OR PART OF A MUNICIPAL CORPORATION.~~

~~(D) (II) THE municipal tax rate applicable to personal property and the operating real property described in § 8–109(c) of this article [for taxable years beginning after June 30, 2001] shall be NOT MORE THAN 2.5 times the SUM OF:~~

~~(1) THE AVERAGE MUNICIPAL CORPORATION PROPERTY TAX rate for real property IN THE RESPECTIVE COUNTY; AND~~

~~(2) THE COUNTY PROPERTY TAX RATE FOR REAL PROPERTY IN THE RESPECTIVE COUNTY MAY NOT EXCEED \$3.75 FOR EACH \$100 OF ASSESSMENT.~~

~~¶(2) Paragraph (1) of this subsection does not affect a special rate prevailing in a taxing district or part of a municipal corporation.¶~~

SECTION 3. AND BE IT FURTHER ENACTED, That:

(a) (1) On or before August 1, 2023, the City of Seat Pleasant shall procure, using a competitive bidding process, an independent certified public accounting firm with expertise in municipal corporation government to conduct an audit of the City of Seat Pleasant.

(2) A certified public accounting firm that provides services to the City of Seat Pleasant may not bid on the procurement.

(b) On award of the contract, and prior to the commencement of the audit, the independent certified public accounting firm shall consult with the Joint Audit and Evaluation Committee established under Title 2, Subtitle 6 of the State Government Article and the Office of Legislative Audits established under Title 2, Subtitle 12 of the State Government Article in the development of the scope and objectives of the performance audit.

(c) The audit shall evaluate all revenues and expenditures of the City of Seat Pleasant beginning with fiscal year 2019.

(d) On or before January 1, 2024, in accordance with § 2–1257 of the State Government Article, the City of Seat Pleasant shall submit the report of the independent certified public accounting firm to the Joint Audit and Evaluation Committee, the Office of Legislative Audits, and the General Assembly.

1 SECTION ~~2~~ 4. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 June 1, 2023, and Section 2 of this Act shall be applicable to all taxable years beginning
3 after June 30, 2023.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.