

FROM	NAME & TITLE	Henry Raymond, Director of Finance <i>H Raymond</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Department of Finance Room 454, City Hall		
	SUBJECT	City Council Bill 21-0058, Real Property Tax – Installment Plans		

DATE:

TO

The Honorable President and
Members of the City Council
City Hall, Room 400

August 17, 2021

The Department of Finance is herein reporting on City Council Bill 21-0058, Real Property Tax – Installment Plans, for the purpose of authorizing that real property taxes to be owed on certain properties may be paid through a monthly installment plan and establishing the maximum term of an installment payment plan in accordance with State law.

Background

The proposed legislation would allow certain taxpayers to prepay their real property tax bills in monthly installments. Currently, property tax payments are due on July 1st of each year for full-year payment. Semiannual payment schedules for property taxes are authorized for owner-occupied residential properties and businesses with combined total State, City, and Special Benefit tax payments below \$100K. Semiannual payments are due by September 30th and December 31st when opted into.

Section 10-208, subject to Section 10-205 of the Tax-Property Article of the Maryland Code, authorizes an installment payment schedule for real property taxes under the Advance Payment Program. This program is not authorized for real property taxes subject to a deed of trust, a mortgage, or any other encumbrance that includes the escrowing of property tax payments.

The City currently accepts prepayment of real property taxes under its Future Tax Savings Program managed by the Bureau of Revenue Collections (BRC.) In Fiscal 2019, BRC accepted prepayment of property taxes from 1,155 properties and in Fiscal 2020 a total of 399 properties participated in this program. The proposed legislation will expand the Future Tax Savings Program by setting a schedule of monthly installments in advance to the issuance of property tax bills in July of each year.

Fiscal Impact Analysis

The Department of Finance foresees that the proposed legislation will require the allocation of additional resources to efficiently administer this program. It is anticipated that the City would need to fund two additional full-time staff at an approximate cost of \$100,000 per year. These two employees will be dedicated to managing the daily operations of this program which includes opening mail, processing payments, producing/reviewing installment plan documents, data entry, answering questions and overall assistance to eligible participating taxpayers. Additionally, the proposed legislation can only be implemented with system upgrades through Baltimore City Information Technology (BCIT.) The cost for upgrading existing systems or the acquisition of new technology to administer this program is not available at this time.

On the other hand, it is estimated that there are 26,900 residential properties that are potentially eligible for this program, accounting for \$72.9 million in property taxes. It is anticipated that the proposed legislation may positively impact property tax collections by allowing eligible taxpayers to pay their taxes

in installments instead of lump-sum or semiannually. The legislation may also increase the cash flow of property taxes collected in advance of their billing year, which will have a direct impact on the monthly amount of cash available for investments.

Conclusion

The Department of Finance does not object to the passage of City Council Bill 21-0058; however, we respectfully request that implementation of this measure be delayed until January 1, 2023. The additional time is needed to properly make the required improvements to the existing systems, or to select and acquire the appropriate technology to efficiently manage this program.

cc: Henry Raymond
Natasha Mehu
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