

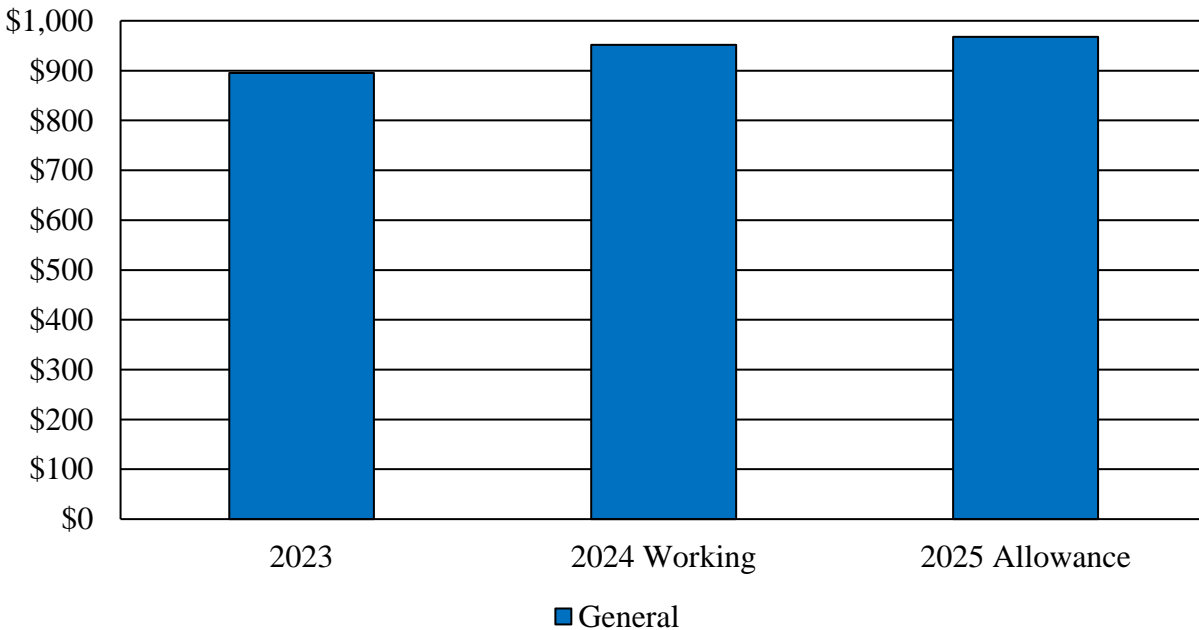
C85E00 Maryland Tax Court

Program Description

The Maryland Tax Court (MTC) is an independent State agency tasked with providing the highest level of administrative review on the decisions of Maryland’s taxing authorities. Decisions appealed to MTC include those from the Comptroller of Maryland, the State Department of Assessments and Taxation (after first being heard by the Property Tax Assessment Appeals Boards) and local collectors, among others. Appeals from MTC are directed to the circuit courts. MTC is composed of five judges who are appointed by the Governor for six-year terms. MTC’s goal is to provide taxpayers and taxing authorities with efficient and fair hearings regarding any tax issue.

Operating Budget Summary

Fiscal 2025 Budget Increases \$16,019, or 1.7%, to \$967,989
(\$ in Thousands)



Note: Numbers may not sum to total due to rounding. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

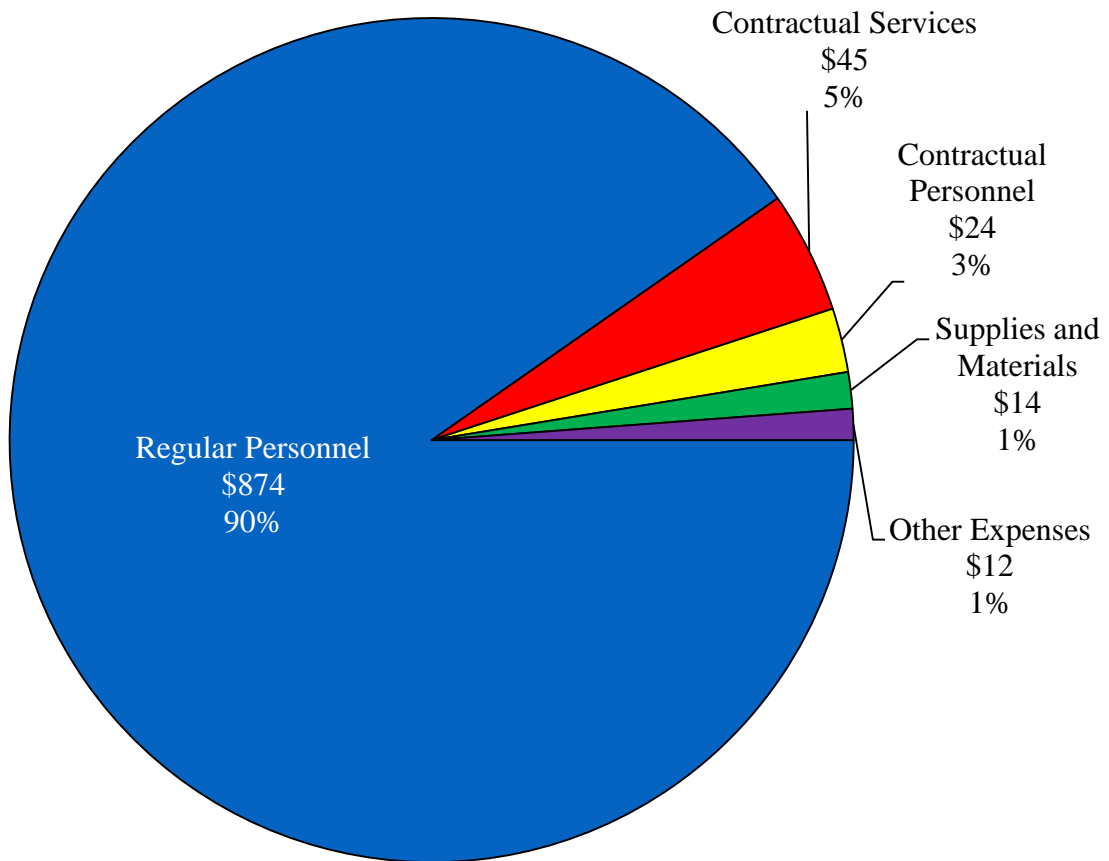
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Fiscal 2025 Overview of Agency Spending

As illustrated in **Exhibit 1**, the majority of MTC’s fiscal 2025 allowance (93%) is allocated to personnel expenses. The remaining 7% of the allowance is allocated toward contractual services, supplies and materials, and several other small categories.

Exhibit 1
Overview of Agency Spending
Fiscal 2025 Allowance
(\$ in Thousands)



Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Governor’s Fiscal 2025 Budget Books

Proposed Budget Change

The fiscal 2025 allowance for MTC grows 1.7% over the fiscal 2024 working appropriation, as shown in **Exhibit 2**.

**Exhibit 2
Proposed Budget
Maryland Tax Court
(\$ in Thousands)**

How Much It Grows:	<u>General Fund</u>	<u>Total</u>
Fiscal 2023 Actual	\$896	\$896
Fiscal 2024 Working Appropriation	952	952
Fiscal 2025 Allowance	<u>968</u>	<u>968</u>
Fiscal 2024-2025 Amount Change	\$16	\$16
Fiscal 2024-2025 Percent Change	1.7%	1.7%
		<u>Change</u>
Personnel Expenses		
Reclassification expenses.....		\$8
Salary increases and associated fringe benefits including fiscal 2024 COLA and increments		7
Other Changes		
Training courses for judges		10
Removal of one-time funding for an out-of-state conference		-2
Agency share of statewide cost allocation		-6
Other adjustments.....		-1
Total		\$16

COLA: cost-of-living adjustment

Note: Numbers may not sum to total due to rounding. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

Personnel Data

	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 24-25</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	9.00	9.00	9.00	0.00
Contractual FTEs	<u>0.40</u>	<u>0.40</u>	<u>0.40</u>	<u>0.00</u>
Total Personnel	9.40	9.40	9.40	0.00

Vacancy Data: Regular Positions

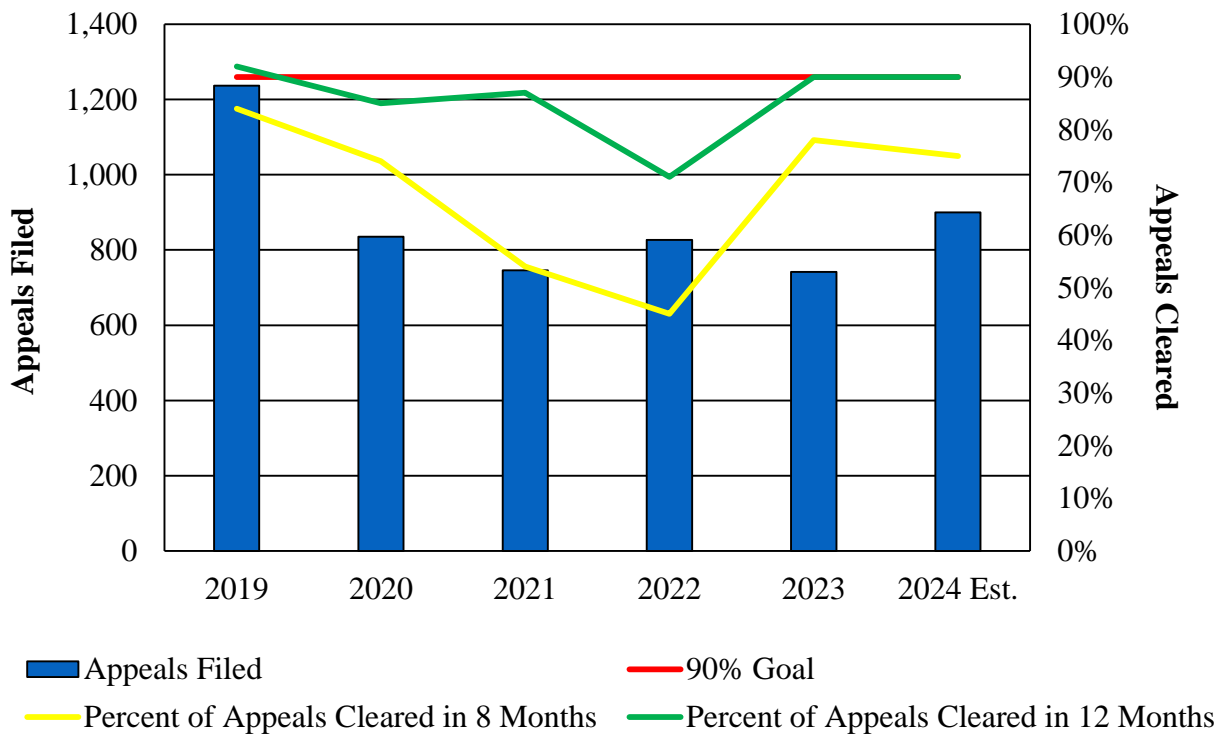
Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/23	0.00	0.00%
Vacancies Above/Below Turnover	0.00	

Key Observations

1. Appeals Decrease, Clearance Rates Increase to Meet One Benchmark

There were 742 appeals filed with MTC in fiscal 2023, a decrease of 85 appeals from fiscal 2022. The number of appeals remains well below prepandemic levels, and clearance rates have similarly returned to prepandemic levels. MTC has multiple benchmarks set for clearance of appeals. According to Managing for Results (MFR) data, the percentage of appeals to be opened, heard, and closed within 8 months is to be 90%. The percentage of cases to be closed in 12 months is also 90%. In fiscal 2023, MTC succeeded in clearing 90% of cases within 12 months, but only 78% of cases were cleared within 8 months. Data regarding the appeal statistics for MTC is shown in **Exhibit 3**, including figures before, during, and after the pandemic.

Exhibit 3
Maryland Tax Court Appeal Clearances
Fiscal 2019-2024 Est.



Source: Department of Budget and Management; Department of Legislative Services

MTC has cited several factors as contributing to the failure to clear 90% of cases within eight months. These factors include an administrative process that is heavily reliant on paper records, postponements requested in appeal hearings, and a longer than needed time period between the end of an appeal and the issuance of a signed order from a judge which formally closes the case.

MTC's administrative procedures utilize processes recorded on paper that are later entered by administrative staff into MTC's antiquated database. The database was designed for MTC by the Maryland Department of Planning more than a decade ago and lacks several features that a modern database would include, such as a method for the public to file appeals online and capabilities which would make the system more efficient for MTC staff by reducing the need for paper documents. MTC has indicated that statutory changes would be necessary in order for appeals to be filed online. The incorporation of a new database would potentially lessen MTC's administrative burden, leading to faster processing of appeals and better service for Marylanders who appeal their cases through the agency.

Postponements in appeals are requested mostly by litigants and are only requested by MTC if a judge must reschedule a hearing due to illness or another unforeseen reason. Postponements do not halt the calculation of time an appeal takes from the date of filing to the date of disposition. As such, many cases which include postponements exceed the 8-month and 12-month benchmarks through no fault of MTC. This impact on MTC's statistics could be clarified through additional reporting of the number of postponements lasting a certain number of days or the percentage of cases impacted by postponements each year.

MTC has stated that work is ongoing to decrease the amount of time needed following a hearing, settlement, or withdrawal of an appeal for a judge to issue a signed order formally closing the case. The current extended amount of time for the order to be signed is due in part to MTC's previously mentioned slower administrative processes. Because it takes time for paperwork to progress through the agency, the order is often not signed for a number of days after the hearing concludes or the appeal is settled or withdrawn. All appeals, regardless of how they conclude, require a signed order to be closed. The current processes take more time than MTC has found to be necessary, and shortening this process is expected to decrease the amount of time an appeal takes to conclude. All of these actions are likely to result in considerable progress toward clearing 90% of appeals within eight months or identifying why a certain number of cases are not cleared in that time in the event of postponements.

MTC should comment on any plans for identifying and implementing a new case management system. Additionally, MTC should work with the Department of Budget and Management to add metrics regarding appeal postponements to its annual MFR performance measures.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

**Appendix 1
Object/Fund Difference Report
Maryland Tax Court**

<u>Object/Fund</u>	<u>FY 23 Actual</u>	<u>FY 24 Working Appropriation</u>	<u>FY 25 Allowance</u>	<u>FY 24 - FY 25 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	9.00	9.00	9.00	0.00	0%
02 Contractual	0.40	0.40	0.40	0.00	0%
Total Positions	9.40	9.40	9.40	0.00	0%
Objects					
01 Salaries and Wages	\$ 802,856	\$ 858,554	\$ 874,009	\$ 15,455	1.8%
02 Technical and Special Fees	26,389	14,379	23,760	9,381	65.2%
03 Communication	2,444	3,500	3,510	10	0.3%
04 Travel	350	3,000	1,700	-1,300	-43.3%
08 Contractual Services	44,439	50,836	45,211	-5,625	-11.1%
09 Supplies and Materials	14,623	13,232	13,500	268	2.0%
10 Equipment – Replacement	1,400	3,610	1,300	-2,310	-64.0%
11 Equipment – Additional	0	1,100	1,100	0	0%
13 Fixed Charges	3,002	3,759	3,899	140	3.7%
Total Objects	\$ 895,503	\$ 951,970	\$ 967,989	\$ 16,019	1.7%
Funds					
01 General Fund	\$ 895,503	\$ 951,970	\$ 967,989	\$ 16,019	1.7%
Total Funds	\$ 895,503	\$ 951,970	\$ 967,989	\$ 16,019	1.7%

Note: The fiscal 2024 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2025 allowance does not include contingent reductions or cost-of-living adjustments.