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# Communication of Building Permit Information to SDAT

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Government Operations and Fiscal Policy Committee

March 16, 2017

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Montgomery County Maryland  
Office of the Inspector General

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## Communication of Building Permit Information to SDAT

### **Complaint**

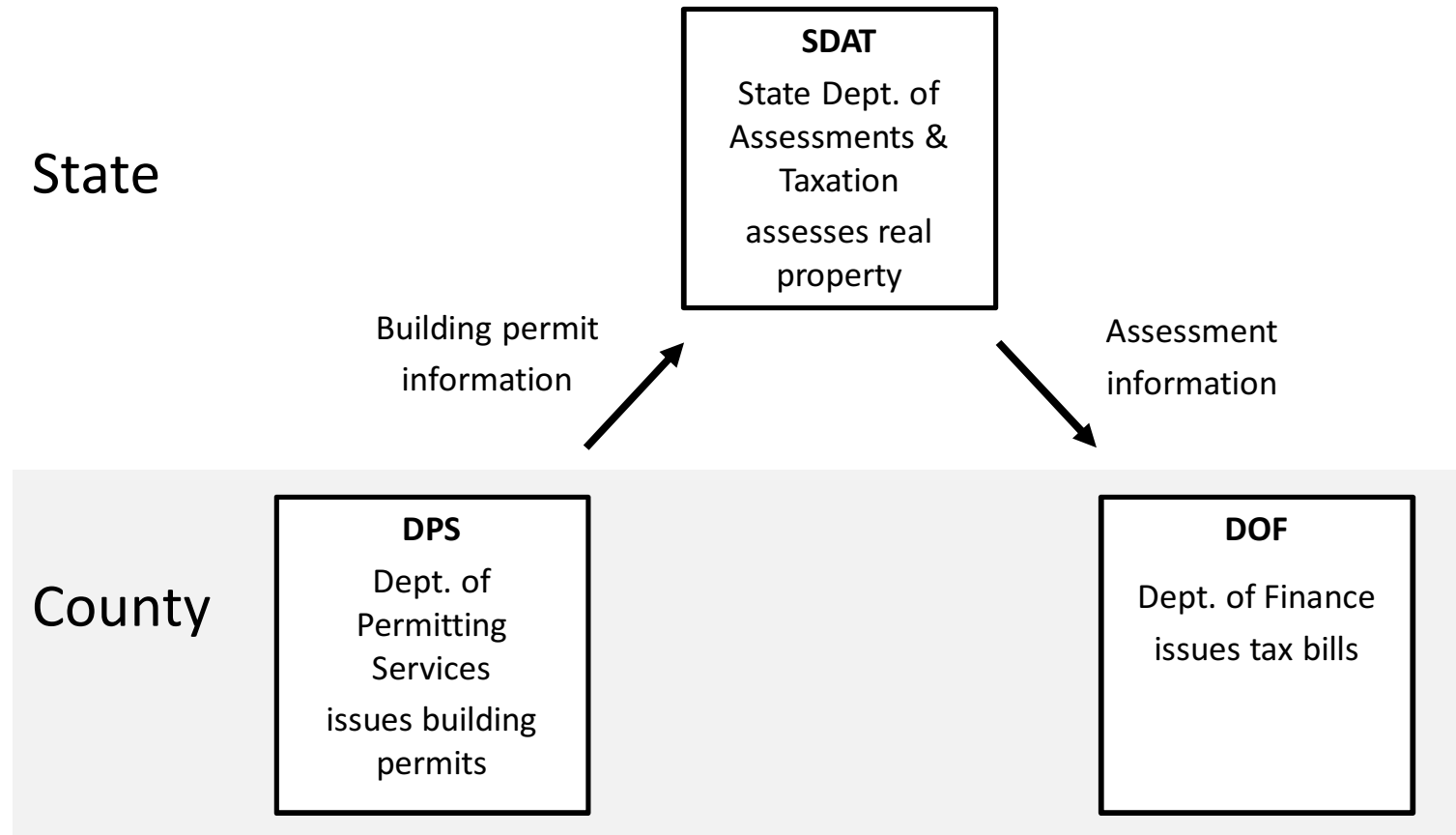
We received a complaint that some properties in the County were not reassessed after major improvements, resulting in inequitably low tax bills.

### **Objectives**

1. to determine if DPS provides information to SDAT as required by law, and
2. to consider whether DPS should provide additional information.

## Communication of Building Permit Information to SDAT

### Information Flows Between the County and the State





## Communication of Building Permit Information to SDAT

### State Law

- SDAT is required to reassess property if improvements are made which add at least \$100,000 in value.  
SDAT is also required to assess property every 3 years.
- DPS is required to submit copies of building permits to SDAT.

Sources: § 8-104 and § 5-103 of the Tax-Property Article of the Maryland Code



## Communication of Building Permit Information to SDAT

### Issues Brought to Our Attention

We contacted SDAT management, which suggested that DPS provide:

- SDAT **account numbers**, so building permit information could be connected to SDAT's assessment data,
- accurate **estimated cost information**, to help identify those improvements likely to result in value increases > \$100,000, and
- notification when **residential final inspections** were passed, so SDAT would know that the work which had been permitted was finished, and that a reassessment may be appropriate.

The City of Gaithersburg, which we contacted at the suggestion of SDAT, provides SDAT with account numbers, estimated cost information deemed more accurate than the County's data by SDAT, and final inspection information.



## Communication of Building Permit Information to SDAT

### OIG Finding

Although DPS does what is required by law, the County's best interests might be better served by providing information that would facilitate SDAT's ability to more quickly identify the properties that need to be reassessed.



## Communication of Building Permit Information to SDAT

### DPS' Data for 12-31-13 through 5-4-16 Showed Low Estimated Costs

- The cost per square foot was **under \$100 on 41% of the permits** for additions. Average square foot construction costs were \$113 to \$144, according to an International Code Council report dated June 2016.
- We analyzed applications for permits from 27 properties that appeared to have significant work done on them at low reported costs. We found that for most (**76%**) of the applications we reviewed, the estimated costs entered in DPS' computer system were lower than the estimated costs written in the applications, resulting from **incorrect data entry**.
  - More than half (53%) of the discrepancies were related to the entry of an incorrect number of zeroes. For example, one application stated an estimated cost of \$730,000, but the computer record showed \$73,000.



## Communication of Building Permit Information to SDAT

### Accurate Cost Data is Useful

- Cost is not the same as value, but cost is used by SDAT to identify properties that may have increased in value by more than \$100,000.
- SDAT is not the only user of the cost information in permit data.
  - The OIG obtained DPS cost and other data from the County's dataMontgomery site. Inaccurate data undermines the value of this source.





## Communication of Building Permit Information to SDAT

### OIG Recommendations for DPS

1. Continue to work toward incorporating **SDAT account numbers** into the building permit information it communicates to SDAT.
2. Determine what changes are necessary to improve the accuracy of the **estimated costs**.
3. Continue to work toward communicating to SDAT when **residential properties are ready for occupancy**.