

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 893 (Senator Manno)
Budget and Taxation

Municipal Property Taxes - Annual Budget Ordinance and Special Rates

This bill requires a municipality, in selecting classes of property subject to a municipal property tax, to select only classes and subclasses of property identified in Title 8 of the Tax Property Article. In addition, a municipality must establish these classes of taxable property in an ordinance that is separate from the municipality's annual budget ordinance. The bill also specifies that if a special rate is established for any class of property, the special rate for any class of real property may not exceed 110% of the rate applicable to all other real property.

The bill takes effect June 1, 2013, and applies to taxable years beginning after June 30, 2013.

Fiscal Summary

State Effect: None.

Local Effect: Minimal effect on municipal property tax revenues. Only four municipalities currently have established different classes of property that are taxed at different rates. Municipal expenditures are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Minimal.

Analysis

Current Law: Title 8 of the Tax Property Article establishes the methods of property valuation and assessments; and lists those classifications of property created by the General Assembly. For assessment purposes, property is divided into two classes – real
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property and personal property. Real property is divided into 11 subclasses and personal property is divided into 7 subclasses as shown in **Exhibit 1**. The State only imposes a property tax on real property; whereas, county governments impose separate tax rates for real and personal property. The personal property tax rate must be set at 2.5 times the real property tax rate. Several county governments do not impose a personal property tax on business property. State and county governments are not authorized to set separate property tax rates among different subclasses of property.

Unlike the State and county governments, municipalities have broader discretion to impose property tax rates on different classes of property. Municipalities may impose property taxes on those classes of property that it selects to be subject to the municipal property tax. In addition, municipalities retain the authority to classify property for local purposes and to impose different tax treatment on those classes. Furthermore, municipalities have the express power to exempt classes of property from taxation. Moreover, because municipalities may select the classes of property to be taxed and may set special rates for any class of property that is subject to the municipal property tax; municipalities retain the authority to levy different tax rates on selected classes of property.

Background: Property taxes are the largest revenue source for most municipalities in Maryland, accounting for 37.5% of total revenues. The reliance on property taxes ranges from 9.7% for the municipality in St. Mary's County to 57.3% for municipalities in Prince George's County. Municipal revenues from property taxes totaled \$503.7 million in fiscal 2011. Municipal real property tax rates in fiscal 2013 range from \$0.01 in the Town of Chevy Chase (Montgomery County) to \$1.49 in the Town of Colmar Manor (Prince George's County). Only the Village of Chevy Chase, Section 5 (Montgomery County) did not impose a property tax rate in fiscal 2013. **Exhibit 2** shows the real property tax rates for each county and municipality in Maryland.

Local Fiscal Effect: Municipalities currently have the authority to establish reasonable classifications of property and to treat those classes differently for property tax purposes, as opined by the Attorney General in 1995. This authority is not granted to county governments.

The bill repeals a municipality's authority to create classes of property for tax purposes that are not currently defined in the Tax Property Article (Title 8). This restriction may limit the number and type of property classes that may be established by a municipality. The Maryland Municipal League advises that only four municipalities – Berwyn Heights, Colmar Manor, and North Brentwood in Prince George's County and Pocomoke City in Worcester County – will be affected by the requirements of the bill.

Additional Information

Prior Introductions: None.

Cross File: HB 820 (Delegate Frick) - Ways and Means.

Information Source(s): City of Laurel, State Department of Assessments and Taxation, Maryland Municipal League, Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2013
mc/hlb

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Exhibit 1
Classification of Property – Title 8 of Tax Property Article

Real Property Class

1. farm or agricultural use
2. marshland
3. woodland
4. country club or golf course

5. planned development use
6. rezoned real property – residential use

7. operating real property of a railroad
8. operating real property of a public utility
9. commercial real property – Internal Revenue Code
10. conservation property
11. all other real property

Personal Property Class

1. stock in business
2. distilled spirits
3. operating personal property of a railroad
4. operating personal property of a public utility that is machinery or equipment used to generate electricity or steam for sale
5. all other operating personal property of a public utility
6. machinery and equipment, other than operating personal property of a public utility
7. all other personal property

Exhibit 2
County and Municipal Real Property Tax Rates
Fiscal 2013

Jurisdiction	Population July 2011	County Rate	Municipal Rate	County Special Rate	Total Rate
Allegany	74,692	\$0.981			\$0.981
Barton	454	0.889	0.166	-	1.055
Cumberland	20,739	0.837	0.965	-	1.803
Frostburg	8,962	0.844	0.567	-	1.410
Lonaconing	1,208	0.866	0.340	-	1.206
Luke	64	0.862	0.550	-	1.412
Midland	443	0.889	0.280	-	1.169
Westernport	1,878	0.870	0.600	-	1.470
Anne Arundel	544,403	0.941			0.941
Annapolis	38,880	0.564	0.640	-	1.204
Highland Beach	98	0.941	0.416	-	1.357
Baltimore City	619,493	2.268			2.268
Baltimore	809,941	1.100			1.100
Calvert	89,256	0.892			0.892
Chesapeake Beach	5,788	0.556	0.360	-	0.916
North Beach	1,988	0.556	0.628	-	1.184

Jurisdiction	Population July 2011	County Rate	Municipal Rate	County Special Rate	Total Rate
Caroline	32,985	\$0.890			\$0.890
Denton	4,407	0.830	0.680	-	1.510
Federalsburg	2,732	0.810	0.620	-	1.430
Goldsboro	245	0.890	0.400	-	1.290
Greensboro	1,926	0.840	0.605	-	1.445
Henderson	146	0.890	0.350	-	1.240
Hillsboro	161	0.890	0.160	-	1.050
Marydel	141	0.890	0.300	-	1.190
Preston	718	0.860	0.360	-	1.220
Ridgely	1,634	0.840	0.481	-	1.321
Templeville*	52	0.890	0.360	-	1.250
Carroll	167,288	1.018			1.018
Hampstead	6,332	1.018	0.200	-	1.218
Manchester	4,813	1.018	0.216	-	1.234
Mount Airy*	5,509	1.018	0.170	-	1.188
New Windsor	1,398	1.018	0.200	-	1.218
Sykesville	4,439	1.018	0.350	-	1.368
Taneytown	6,736	1.018	0.370	-	1.388
Union Bridge	975	1.018	0.300	-	1.318
Westminster	18,606	1.018	0.570	-	1.588
Cecil	101,694	0.991			0.991
Cecilton	667	0.991	0.217	-	1.208
Charlestown	1,189	0.991	0.314	-	1.305
Chesapeake City	687	0.991	0.422	-	1.413
Elkton	15,531	0.991	0.463	-	1.454
North East	3,683	0.991	0.480	-	1.471
Perryville	4,387	0.991	0.314	-	1.305
Port Deposit	657	0.991	0.551	-	1.542
Rising Sun	2,797	0.991	0.406	-	1.397

Jurisdiction	Population July 2011	County Rate	Municipal Rate	County Special Rate	Total Rate
Charles	149,130	\$1.057		\$0.064	\$1.121
Indian Head	3,912	1.029	0.300	0.064	1.393
La Plata	8,896	0.972	0.320	0.064	1.356
Port Tobacco	13	1.057	0.040	0.064	1.161
Dorchester	32,640	0.976			0.976
Brookview	60	0.976	0.270	-	1.246
Cambridge	12,335	0.935	0.779	-	1.714
Church Creek	125	0.976	0.170	-	1.146
East New Market	400	0.976	0.600	-	1.576
Eldorado	59	0.976	0.190	-	1.166
Galestown	138	0.976	0.300	-	1.276
Hurlock	2,093	0.929	0.742	-	1.671
Secretary	535	0.976	0.320	-	1.296
Vienna	278	0.976	0.480	-	1.456
Frederick	236,745	0.936		0.128	1.064
Brunswick	5,956	0.936	0.462	0.080	1.478
Burkittsville	153	0.936	0.140	0.080	1.156
Emmitsburg	2,852	0.936	0.360	0.128	1.424
Frederick	66,169	0.813	0.732	0.128	1.673
Middletown	4,198	0.936	0.232	0.080	1.248
Mount Airy*	3,840	0.936	0.170	0.000	1.106
Myersville	1,650	0.819	0.391	0.128	1.338
New Market	666	0.936	0.120	0.128	1.184
Rosemont	297	0.936	0.040	0.080	1.056
Thurmont	6,260	0.936	0.308	0.080	1.324
Walkersville	5,882	0.936	0.170	0.080	1.186
Woodsboro	1,159	0.936	0.128	0.128	1.192

Jurisdiction	Population July 2011	County Rate	Municipal Rate	County Special Rate	Total Rate
Garrett	30,051	\$0.990			\$0.990
Accident	325	0.990	0.313	-	1.303
Deer Park	399	0.990	0.300	-	1.290
Friendsville	490	0.990	0.320	-	1.310
Grantsville	765	0.990	0.200	-	1.190
Kitzmilller	321	0.990	0.360	-	1.350
Loch Lynn Heights	551	0.990	0.320	-	1.310
Mountain Lake Park	2,089	0.933	0.436	-	1.369
Oakland	1,922	0.990	0.472	-	1.462
Harford	246,489	1.042			1.042
Aberdeen	15,063	0.896	0.680	-	1.576
Bel Air	10,187	0.896	0.500	-	1.396
Havre de Grace	13,040	0.896	0.580	-	1.476
Howard	293,142	1.014		0.176	1.190
Kent	20,204	1.022			1.022
Betterton	345	1.022	0.320	-	1.342
Chestertown	5,254	1.022	0.370	-	1.392
Galena	611	1.022	0.240	-	1.262
Millington*	605	1.022	0.280	-	1.302
Rock Hall	1,311	1.022	0.320	-	1.342

Jurisdiction	Population July 2011	County Rate	Municipal Rate	County Special Rate	Total Rate
Montgomery	989,794	\$0.724		\$0.279	\$1.003
Barnesville	175	0.724	0.051	0.204	0.979
Battery Park		0.724	0.050	0.279	1.053
Brookeville	136	0.724	0.015	0.204	0.943
Chevy Chase, Sec. 3	774	0.724	0.020	0.279	1.023
Chevy Chase, Sec. 5	670	0.724	0.000	0.279	1.003
Chevy Chase	2,878	0.724	0.010	0.279	1.013
Chevy Chase View	936	0.724	0.022	0.279	1.025
Chevy Chase Village	1,989	0.724	0.101	0.279	1.104
Drummond		0.724	0.048	0.279	1.051
Friendship Heights		0.724	0.040	0.276	1.040
Gaithersburg	61,045	0.724	0.262	0.183	1.169
Garrett Park	1,011	0.724	0.210	0.276	1.210
Glen Echo	259	0.724	0.134	0.279	1.137
Kensington	2,254	0.724	0.136	0.276	1.136
Laytonsville	361	0.724	0.110	0.204	1.038
Martin's Additions	952	0.724	0.047	0.279	1.050
North Chevy Chase	553	0.724	0.052	0.279	1.055
Oakmont		0.724	0.040	0.279	1.043
Poolesville	4,973	0.724	0.159	0.204	1.087
Rockville	62,334	0.724	0.292	0.183	1.199
Somerset	1,239	0.724	0.080	0.279	1.083
Takoma Park	17,021	0.724	0.580	0.276	1.580
Washington Grove	565	0.724	0.317	0.183	1.224

Jurisdiction	Population July 2011	County Rate	Municipal Rate	County Special Rate	Total Rate
Prince George's	871,233	\$0.960		\$0.359	\$1.319
Berwyn Heights	3,151	0.806	0.516	0.359	1.681
Bladensburg	9,233	0.813	0.740	0.359	1.912
Bowie	55,232	0.809	0.400	0.305	1.514
Brentwood	3,074	0.909	0.386	0.359	1.654
Capitol Heights	4,377	0.820	0.462	0.359	1.641
Cheverly	6,231	0.811	0.580	0.359	1.750
College Park	30,587	0.940	0.322	0.359	1.621
Colmar Manor	1,417	0.844	1.490	0.359	2.693
Cottage City	1,316	0.829	0.650	0.359	1.838
District Heights	5,891	0.810	1.000	0.205	2.015
Eagle Harbor	63	0.960	0.480	0.359	1.799
Edmonston	1,457	0.828	0.600	0.359	1.787
Fairmount Heights	1,508	0.877	0.460	0.359	1.696
Forest Heights	2,471	0.898	0.625	0.359	1.882
Glenarden	6,055	0.831	0.336	0.359	1.526
Greenbelt	23,281	0.793	0.790	0.187	1.770
Hyattsville	17,718	0.797	0.630	0.359	1.786
Landover Hills	1,704	0.806	0.480	0.359	1.645
Laurel	25,346	0.765	0.710	0.305	1.780
Morningside	2,027	0.846	0.740	0.359	1.945
Mt. Rainier	8,155	0.798	0.790	0.359	1.947
New Carrollton	12,248	0.834	0.714	0.359	1.907
North Brentwood	522	0.953	0.347	0.359	1.659
Riverdale Park	7,019	0.793	0.654	0.359	1.806
Seat Pleasant	4,584	0.809	0.580	0.359	1.748
University Park	2,570	0.808	0.582	0.359	1.749
Upper Marlboro	638	0.829	0.240	0.359	1.428

Jurisdiction	Population July 2011	County Rate	Municipal Rate	County Special Rate	Total Rate
Queen Anne's	48,354	\$0.847			\$0.847
Barclay	123	0.847	0.200	-	1.047
Centreville	4,334	0.847	0.380	-	1.227
Church Hill	755	0.847	0.340	-	1.187
Millington*	37	0.847	0.280	-	1.127
Queen Anne*	128	0.847	0.180	-	1.027
Queenstown	671	0.847	0.189	-	1.036
Sudlersville	510	0.847	0.167	-	1.014
Templeville*	86	0.847	0.360	-	1.207
St. Mary's	107,484	0.857			0.857
Leonardtown	2,992	0.857	0.125	-	0.982
Somerset	26,339	0.884			0.884
Crisfield	2,710	0.884	0.700	-	1.584
Princess Anne	3,269	0.884	1.124	-	2.008
Talbot	38,025	0.491			0.491
Easton	16,047	0.361	0.520	-	0.881
Oxford	655	0.377	0.244	-	0.621
Queen Anne*	94	0.433	0.180	-	0.613
St. Michaels	1,035	0.367	0.520	-	0.887
Trappe	1,085	0.406	0.290	-	0.696

Jurisdiction	Population July 2011	County Rate	Municipal Rate	County Special Rate	Total Rate
Washington	148,203	\$0.948			\$0.948
Boonsboro	3,354	0.823	0.322	-	1.145
Clear Spring	360	0.823	0.280	-	1.103
Funkstown	909	0.823	0.320	-	1.143
Hagerstown	39,890	0.823	0.788	-	1.611
Hancock	1,553	0.823	0.520	-	1.343
Keedysville	1,158	0.823	0.180	-	1.003
Sharpsburg	709	0.823	0.300	-	1.123
Smithsburg	2,991	0.823	0.350	-	1.173
Williamsport	2,148	0.823	0.485	-	1.308
Wicomico	99,190	0.840			0.840
Delmar	3,018	0.840	0.846	-	1.687
Fruitland	4,890	0.840	0.800	-	1.640
Hebron	1,090	0.840	0.420	-	1.260
Mardela Springs	348	0.840	0.230	-	1.070
Pittsville	1,423	0.840	0.280	-	1.120
Salisbury	30,484	0.840	0.819	-	1.659
Sharptown	654	0.840	0.600	-	1.440
Willards	962	0.840	0.460	-	1.300
Worcester	51,514	0.770			0.770
Berlin	4,491	0.770	0.680	-	1.450
Ocean City	7,110	0.770	0.459	-	1.229
Pocomoke City	4,190	0.770	0.820	-	1.590
Snow Hill	2,104	0.770	0.860	-	1.630

Note: (-) means that a county special rate is not imposed in the municipality.

Note: * means the municipality is in two counties.

Source: State Department of Assessments and Taxation, Department of Legislative Services