
By: Delegates Healey, Hixson, Rosapepe, Howard, Gordon, Shriver, Bonsack, Conroy, Snodgrass, Exum, Morgan, Workman, Hecht, Menes, Pitkin, Benson, Hubbard, Frush, and McKee

Introduced and read first time: February 6, 1997

Assigned to: Ways and Means

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 17, 1997

CHAPTER _____

1 AN ACT concerning

2 ~~Property Tax – County Setoffs for Property in Municipal Corporations~~

3 ~~Task Force to Study County Property Tax Setoffs to Compensate for Double Taxation of~~

4 ~~Municipal Taxpayers~~

5 FOR the purpose of ~~providing for the manner in which each county is required to discuss~~
6 ~~with the governing body of any municipal corporation in the county the county~~
7 ~~property tax rate to be set for assessments of property in the municipal corporation;~~
8 ~~requiring that each county and each municipal corporation in the county that desire~~
9 ~~a property tax setoff to submit certain proposals to each other; requiring the county~~
10 ~~to promptly submit to the municipal corporation certain financial records and other~~
11 ~~documentation; providing for mediation or alternative dispute resolution~~
12 ~~procedures; providing for payment of the costs mediation or dispute resolution~~
13 ~~procedures; providing for certain actions to be taken before certain dates;~~
14 ~~authorizing certain appeal and petitions to the circuit court for the county; defining~~
15 ~~a certain term; and generally relating to setoffs from county property tax for~~
16 ~~assessments of property in municipal corporations establishing a Task Force to~~
17 ~~examine issues relating to taxes that municipal property owners are paying for~~
18 ~~parallel services they do not receive from county governments, service delivery~~
19 ~~efficiency, and tax equity; providing for the membership, cochairmen, staffing, and~~
20 ~~responsibilities of the Task Force; requiring a certain report; and generally relating~~
21 ~~to the establishment of a Task Force to Study County Property Tax Setoffs.~~

22 ~~BY repealing and reenacting, with amendments,~~

23 ~~Article Tax Property~~

24 ~~Section 6-305 and 6-306~~

2

1 ~~Annotated Code of Maryland~~
2 ~~(1994 Replacement Volume and 1996 Supplement)~~

3 ~~BY repealing and reenacting, without amendments,~~
4 ~~Article—Tax—Property~~
5 ~~Section 6-307~~

6 ~~Annotated Code of Maryland~~
7 ~~(1994 Replacement Volume and 1996 Supplement)~~

8 Preamble

9 WHEREAS, The owners of property located within incorporated cities and towns
10 pay property taxes to both a municipal government and a county government; and

11 WHEREAS, The property tax revenues collected by a county government are
12 frequently used to pay for parallel services provided by both a municipal government and
13 a county government; and

14 WHEREAS, Such parallel services may commonly include police and fire
15 protection, road maintenance, parks and recreation, code enforcement, solid waste
16 collection, and planning and zoning; and

17 WHEREAS, A situation of double taxation exists in a county when a municipal
18 government provides services in lieu of county property-tax-funded services provided to
19 other areas outside the municipal corporation and municipal property owners go
20 uncompensated or undercompensated for the duplicate taxes they pay; and

21 WHEREAS, There are issues relating to tax equity, service delivery efficiency and
22 service duplication; and

23 WHEREAS, This potentially inequitable treatment of municipal property taxpayers
24 needs to be studied and addressed by the General Assembly; now, therefore,

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

27 ~~Article—Tax—Property~~

28 ~~6-305.~~

29 ~~(a) IN THIS SECTION, "SETOFF" MEANS:~~

30 ~~(1) THE DIFFERENCE BETWEEN THE GENERAL COUNTY PROPERTY TAX~~
31 ~~RATE AND THE PROPERTY TAX RATE THAT IS SET FOR ASSESSMENTS OF PROPERTY~~
32 ~~IN A MUNICIPAL CORPORATION; OR~~

33 ~~(2) A PAYMENT TO A MUNICIPAL CORPORATION TO AID THE~~
34 ~~MUNICIPAL CORPORATION IN FUNDING SERVICES OR PROGRAMS THAT ARE~~
35 ~~SIMILAR TO COUNTY SERVICES OR PROGRAMS.~~

36 ~~(B) This section applies only in:~~

37 ~~(1) Allegany County;~~

3

- 1 ~~(2) Anne Arundel County;~~
- 2 ~~(3) Baltimore County;~~
- 3 ~~(4) CALVERT COUNTY;~~
- 4 ~~(5) CAROLINE COUNTY;~~
- 5 ~~(6) CARROLL COUNTY;~~
- 6 ~~(7) CECIL COUNTY;~~
- 7 ~~(8) CHARLES COUNTY;~~
- 8 ~~(9) FREDERICK COUNTY;~~
- 9 ~~(10) Garrett County;~~
- 10 ~~[(5)] (11) Harford County;~~
- 11 ~~[(6)] (12) Howard County;~~
- 12 ~~(13) KENT COUNTY;~~
- 13 ~~[(7)] (14) Montgomery County; [and]~~
- 14 ~~[(8)] (15) Prince George's County;~~
- 15 ~~(16) QUEEN ANNE'S COUNTY;~~
- 16 ~~(17) ST. MARY'S COUNTY; AND~~
- 17 ~~(18) WASHINGTON COUNTY.~~

18 ~~[(b)] (C) The governing body of the county shall [meet annually and] discuss~~
19 ~~with the governing body of any municipal corporation in the county the county property~~
20 ~~tax rate to be set for assessments of property in the municipal corporation AS PROVIDED~~
21 ~~IN THIS SECTION. [After the meeting if] IF it can be demonstrated that a municipal~~
22 ~~corporation performs services or programs instead of similar county services or programs,~~
23 ~~the governing body of the county shall impose the county property tax on assessments of~~
24 ~~property in the municipal corporation at a rate that is less than the general county~~
25 ~~property tax rate.~~

26 ~~[(e)] (D) In determining the county property tax rate to be set for assessments of~~
27 ~~property in a municipal corporation, the governing body of the county shall consider:~~

- 28 ~~(1) the services and programs that are performed by the municipal~~
29 ~~corporation instead of similar county services and programs; and~~
- 30 ~~(2) the extent that the similar services and programs are funded by property~~
31 ~~tax revenues.~~

32 ~~[(d)] (E) The county property tax rate for assessments of property located in a~~
33 ~~municipal corporation is not required to be:~~

1 (1) the same as the rate for property located in other municipal corporations
2 in the county; or

3 (2) the same as the rate set in a prior year.

4 ~~[(e)] (F) Instead of imposing a county property tax at a lesser rate for assessments~~
5 ~~of property in a municipal corporation, the governing body of the county may make a~~
6 ~~payment to a municipal corporation to aid the municipal corporation in funding~~
7 ~~municipal corporation services or programs that are similar to county services or~~
8 ~~programs.~~

9 ~~(G) (1) AT LEAST 6 MONTHS BEFORE THE DATE THAT THE ANNUAL~~
10 ~~COUNTY BUDGET IS REQUIRED TO BE APPROVED, A COUNTY AND EACH MUNICIPAL~~
11 ~~CORPORATION IN THE COUNTY THAT DESIRES A PROPERTY TAX SETOFF SHALL~~
12 ~~SUBMIT TO EACH OTHER A PROPOSAL THAT STATES THE DESIRED LEVEL OF~~
13 ~~PROPERTY TAX SETOFF FOR THE NEXT FISCAL YEAR.~~

14 ~~(2) AFTER RECEIVING A PROPOSAL FROM A MUNICIPAL CORPORATION~~
15 ~~REQUESTING A SETOFF, THE GOVERNING BODY OF THE COUNTY SHALL PROMPTLY~~
16 ~~SUBMIT TO THE MUNICIPAL CORPORATION FINANCIAL RECORDS AND OTHER~~
17 ~~DOCUMENTATION REGARDING COUNTY REVENUES AND EXPENDITURES.~~

18 ~~(H) (1) (I) A COUNTY OR MUNICIPAL CORPORATION MAY REQUEST THAT~~
19 ~~A MEDIATOR FROM THE OFFICE OF ADMINISTRATIVE HEARINGS BE APPOINTED TO~~
20 ~~WORK WITH THE AFFECTED PARTIES.~~

21 ~~(II) THE COSTS SHALL BE PAID BY THE PARTY REQUESTING THE~~
22 ~~MEDIATION UP TO A MAXIMUM OF \$2,000.~~

23 ~~(2) (I) A COUNTY AND A MUNICIPAL CORPORATION MAY JOINTLY~~
24 ~~AGREE TO PURSUE AN ALTERNATIVE DISPUTE RESOLUTION PROCEDURE.~~

25 ~~(II) THE COSTS SHALL BE PAID EQUALLY BY THE PARTIES.~~

26 ~~(I) (1) AT LEAST 3 MONTHS BEFORE THE DATE THAT THE ANNUAL~~
27 ~~COUNTY BUDGET IS REQUIRED TO BE APPROVED, THE COUNTY COMMISSIONERS~~
28 ~~OR THE COUNTY EXECUTIVE OF A CHARTER COUNTY SHALL SUBMIT A FINAL~~
29 ~~PROPOSAL TO EACH MUNICIPAL CORPORATION THAT HAS REQUESTED A SETOFF.~~

30 ~~(2) THE FINAL PROPOSAL SHALL CONTAIN AN EXPLANATION OF THE~~
31 ~~LEVEL OF PROPERTY TAX SETOFF THAT HAS BEEN RECOMMENDED FOR APPROVAL~~
32 ~~TO THE GOVERNING BODY OF THE COUNTY.~~

33 ~~(J) (1) AT LEAST 45 DAYS BEFORE THE DATE THAT THE ANNUAL COUNTY~~
34 ~~BUDGET IS REQUIRED TO BE APPROVED, THE GOVERNING BODY SHALL TAKE FINAL~~
35 ~~ACTION ON ITS PROPOSED SETOFFS AND NOTIFY EACH MUNICIPAL CORPORATION~~
36 ~~THAT HAS REQUESTED A SETOFF OF THE EXACT PROPERTY TAX SETOFF THAT IF~~
37 ~~HAS ADOPTED FOR THAT MUNICIPAL CORPORATION AS PART OF ITS ANNUAL~~
38 ~~BUDGET AND TAX RATE SETTING PROCESS.~~

39 ~~(2) IF THE GOVERNING BODY OF A MUNICIPAL CORPORATION OR A~~
40 ~~CITIZEN OF A MUNICIPAL CORPORATION IS DISSATISFIED WITH THE LEVEL OF~~
41 ~~PROPERTY TAX SETOFF APPROVED BY A COUNTY GOVERNING BODY, THE~~

~~1 GOVERNING BODY OF THE MUNICIPAL CORPORATION OR CITIZEN MAY APPEAL
2 THIS RESULT TO THE CIRCUIT COURT.~~

~~3 (K) (1) IF THE GOVERNING BODY OF THE COUNTY FAILS TO MEET THE
4 REQUIRED DEADLINE IN SUBSECTION (I) OF THIS SECTION:~~

~~5 (I) THE PROPERTY TAX SETOFF SHALL BE SET AT 105% OF THE
6 LEVEL OF THE SETOFF DURING THE PRECEDING YEAR; OR~~

~~7 (II) THE MUNICIPAL CORPORATION MAY PETITION THE CIRCUIT
8 COURT FOR THE COUNTY FOR A RULING ON THE APPROPRIATE LEVEL OF THE
9 PROPERTY TAX SETOFF.~~

~~10 (2) IF THE MUNICIPAL CORPORATION PETITIONS THE CIRCUIT COURT
11 FOR THE COUNTY, THE CIRCUIT COURT SHALL ESTABLISH THE APPROPRIATE
12 LEVEL OF PROPERTY TAX SETOFF WHICH MAY NOT BE LESS THAN 105% OF THE
13 LEVEL OF THE PROPERTY TAX SETOFF PROVIDED DURING THE PRECEDING YEAR.~~

~~14 6-306.~~

~~15 (a) IN THIS SECTION, "SETOFF" MEANS:~~

~~16 (1) THE DIFFERENCE BETWEEN THE GENERAL COUNTY PROPERTY TAX
17 RATE AND THE PROPERTY TAX RATE THAT IS SET FOR ASSESSMENTS OF PROPERTY
18 IN A MUNICIPAL CORPORATION; OR~~

~~19 (2) A PAYMENT TO A MUNICIPAL CORPORATION TO AID THE
20 MUNICIPAL CORPORATION IN FUNDING SERVICES OR PROGRAMS THAT ARE
21 SIMILAR TO COUNTY SERVICES OR PROGRAMS.~~

~~22 (B) This section applies to any county not listed in § 6-305 of this subtitle.~~

~~23 [(b)] (C) The governing body of the county shall [meet annually and] discuss
24 with the governing body of any municipal corporation in the county the county property
25 tax rate to be set for assessments of property in the municipal corporation IN
26 ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THIS SECTION. [After the
27 meeting if] IF a municipal corporation performs services or programs instead of similar
28 county services or programs, the governing body of the county may impose the county
29 property tax on assessments of property in the municipal corporation at a rate that is less
30 than the general county property tax rate.~~

~~31 [(e)] (D) In determining the county property tax rate to be set for assessments of
32 property in a municipal corporation, the governing body of the county may consider:~~

~~33 (1) the services and programs that are performed by the municipal
34 corporation instead of similar county services and programs; and~~

~~35 (2) the extent that the similar services and programs are funded by property
36 tax revenues.~~

~~37 [(d)] (E) The county property tax rate for assessments of property located in a
38 municipal corporation is not required to be:~~

1 (1) the same as the rate for property located in other municipal corporations
2 in the county; or

3 (2) the same as the rate set in a prior year.

4 ~~[(e)] (F) Instead of imposing a county property tax at a lesser rate for assessments~~
5 ~~of property in a municipal corporation, the governing body of the county may make a~~
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8 ~~programs.~~

9 ~~(G) (1) AT LEAST 6 MONTHS BEFORE THE DATE THAT THE ANNUAL~~
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11 ~~CORPORATION IN THE COUNTY THAT DESIRES A PROPERTY TAX SETOFF SHALL~~
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21 ~~(II) THE COSTS SHALL BE PAID BY THE PARTY REQUESTING THE~~
22 ~~MEDIATION UP TO A MAXIMUM OF \$2,000.~~

23 ~~(2) (I) A COUNTY AND A MUNICIPAL CORPORATION MAY JOINTLY~~
24 ~~AGREE TO PURSUE AN ALTERNATIVE DISPUTE RESOLUTION PROCEDURE.~~

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37 ~~HAS ADOPTED FOR THAT MUNICIPAL CORPORATION AS PART OF ITS ANNUAL~~
38 ~~BUDGET AND TAX RATE SETTING PROCESS.~~

39 ~~(2) IF A MUNICIPAL GOVERNING BODY OR A CITIZEN OF A MUNICIPAL~~
40 ~~CORPORATION IS DISSATISFIED WITH THE LEVEL OF PROPERTY TAX SETOFF~~

7

1 ~~APPROVED BY A COUNTY GOVERNING BODY, THE GOVERNING BODY OR CITIZEN~~
2 ~~MAY APPEAL THIS RESULT TO THE CIRCUIT COURT.~~

3 ~~6-307.~~

4 ~~The governing body of Anne Arundel County or of Howard County may not impose~~
5 ~~a county property tax on property of a resident of a municipal corporation for any service~~
6 ~~that the municipal corporation provides for the resident.~~

7 (a) There is a Task Force to Study County Property Tax Setoffs. The Task Force
8 shall examine issues relating to taxes that municipal property owners are paying for
9 parallel services they do not receive from county governments, service delivery efficiency,
10 and tax equity.

11 (b) The Task Force consists of:

12 (1) Four Delegates appointed by the Speaker, each of whom shall represent
13 one or more municipal corporations;

14 (2) Four Senators appointed by the President, each of whom shall represent
15 one or more municipal corporations;

16 (3) Three county officials appointed by the Maryland Association of
17 Counties, one of whom shall be a finance director in a county;

18 (4) Three municipal officials appointed by the Maryland Municipal League,
19 one of whom shall be a finance director in a municipal corporation;

20 (5) The Chief Judge of the Office of Administrative Hearings or the Chief
21 Judge's designee;

22 (6) The Director of the Department of Assessments and Taxation or the
23 Director's designee; and

24 (7) The Director of the Revenue Administration Division of the Office of
25 the Comptroller or the Director's designee.

26 (c) The Speaker and President shall appoint Cochairmen of the Task Force from
27 among the legislators.

28 (d) (1) The Department of Fiscal Services, with the cooperation of the Institute
29 for Governmental Services at the University of Maryland, shall provide staff to the Task
30 Force.

31 (2) Copies of all meeting notices and other written materials provided to the
32 Task Force shall also be provided to the executive directors of the Maryland Municipal
33 League and the Maryland Association of Counties.

34 (e) The purpose of the Task Force is to:

35 (1) Determine the current distribution of property tax burdens for parallel
36 services provided by county and municipal governments;

37 (2) Determine the methodologies that may be used to offset the impacts of
38 double taxation; and

1 (3) Develop legislative recommendations to encourage cooperation between
2 county and municipal governments with regard to:

3 (i) The equitable treatment of property taxpayers where double
4 taxation exists;

5 (ii) Local income tax distributions;

6 (iii) Other shared tax distributions;

7 (iv) Police aid distributions;

8 (v) Accountability for service efficiency; and

9 (vi) Efficiency loss from service duplication.

10 (f) On or before December 15, 1997, the Task Force shall submit a report to the
11 Senate Budget and Taxation Committee and the House Committee on Ways and Means,
12 in accordance with § 2-1312 of the State Government Article.

13 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
14 ~~October~~ June 1, 1997.