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**By: Senators Amoss, Green, Munson, and ~~Currie~~ Currie, and Ferguson**

Introduced and read first time: January 31, 1997

Assigned to: Budget and Taxation

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: April 4, 1997

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

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

3 Task Force to Study County Property Tax Setoffs and Related Fiscal Issues

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

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

26 ~~Article – Tax – Property~~

27 ~~Section 6-305~~

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

3 ~~BY repealing~~  
4 ~~Article Tax Property~~  
5 ~~Section 6-306~~  
6 ~~Annotated Code of Maryland~~  
7 ~~(1994 Replacement Volume and 1996 Supplement)~~

8 ~~BY repealing and reenacting, without amendments,~~  
9 ~~Article Tax Property~~  
10 ~~Section 6-307~~  
11 ~~Annotated Code of Maryland~~  
12 ~~(1994 Replacement Volume and 1996 Supplement)~~

13 Preamble

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

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

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

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

26 WHEREAS, There are issues relating to tax equity, service delivery efficiency and  
27 service duplication; and

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

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

32 ~~Article Tax Property~~

33 ~~6-305.~~

34 ~~(a) [This section applies only in:~~

35 ~~(1) Allegany County;~~

36 ~~(2) Anne Arundel County;~~

3

1           ~~(3) Baltimore County;~~

2           ~~(4) Garrett County;~~

3           ~~(5) Harford County;~~

4           ~~(6) Howard County;~~

5           ~~(7) Montgomery County; and~~

6           ~~(8) Prince George's County.]~~

7           IN THIS SECTION, "SETOFF" MEANS:

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

11                   ~~(2) A PAYMENT TO A MUNICIPAL CORPORATION TO AID THE~~  
12 ~~MUNICIPAL CORPORATION IN FUNDING SERVICES OR PROGRAMS THAT ARE~~  
13 ~~SIMILAR TO COUNTY SERVICES OR PROGRAMS.~~

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

22           ~~(c) In determining the county property tax rate to be set for assessments of~~  
23 ~~property in a municipal corporation, the governing body of the county shall consider:~~

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

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

28           ~~(d) The county property tax rate for assessments of property located in a~~  
29 ~~municipal corporation is not required to be:~~

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

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

33           ~~(e) Instead of imposing a county property tax at a lesser rate for assessments of~~  
34 ~~property in a municipal corporation, the governing body of the county may make a~~  
35 ~~payment to a municipal corporation to aid the municipal corporation in funding~~  
36 ~~municipal corporation services or programs that are similar to county services or~~  
37 ~~programs.~~

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

6           ~~(2) AFTER RECEIVING A PROPOSAL FROM A MUNICIPAL CORPORATION~~  
7 ~~THAT REQUESTS A SETOFF, THE GOVERNING BODY OF THE COUNTY SHALL~~  
8 ~~PROMPTLY SUBMIT TO THE MUNICIPAL CORPORATION FINANCIAL RECORDS AND~~  
9 ~~OTHER DOCUMENTATION REGARDING COUNTY REVENUES AND EXPENDITURES,~~  
10 ~~INCLUDING DETAILED COSTS OF ANY SERVICES PROVIDED UNIQUELY TO A~~  
11 ~~MUNICIPAL CORPORATION THAT THE COUNTY HAS FUNDED PRIMARILY FROM~~  
12 ~~PROPERTY TAX REVENUES.~~

13           ~~(G) (1) (I) A COUNTY OR MUNICIPAL CORPORATION MAY REQUEST THAT~~  
14 ~~A MEDIATOR FROM THE OFFICE OF ADMINISTRATIVE HEARINGS BE APPOINTED TO~~  
15 ~~WORK WITH THE AFFECTED PARTIES.~~

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

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

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

21           ~~(H) (1) AT LEAST 3 MONTHS BEFORE THE DATE THAT THE ANNUAL~~  
22 ~~COUNTY BUDGET IS REQUIRED TO BE APPROVED, THE COUNTY COMMISSIONERS~~  
23 ~~OR THE COUNTY EXECUTIVE OF A CHARTER COUNTY SHALL SUBMIT A FINAL~~  
24 ~~PROPOSAL TO EACH MUNICIPAL CORPORATION THAT HAS REQUESTED A SETOFF.~~

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

28           ~~(I) (1) AT LEAST 45 DAYS BEFORE THE DATE THAT THE ANNUAL COUNTY~~  
29 ~~BUDGET IS REQUIRED TO BE APPROVED, THE GOVERNING BODY OF THE COUNTY~~  
30 ~~SHALL TAKE FINAL ACTION ON ITS PROPOSED SETOFFS AND NOTIFY EACH~~  
31 ~~MUNICIPAL CORPORATION THAT HAS REQUESTED A SETOFF OF THE EXACT~~  
32 ~~PROPERTY TAX SETOFF THAT IT HAS ADOPTED FOR THAT MUNICIPAL~~  
33 ~~CORPORATION AS PART OF ITS ANNUAL BUDGET AND TAX RATE SETTING PROCESS.~~

34           ~~(2) IF THE GOVERNING BODY OF A MUNICIPAL CORPORATION OR A~~  
35 ~~CITIZEN OF A MUNICIPAL CORPORATION IS DISSATISFIED WITH THE LEVEL OF~~  
36 ~~PROPERTY TAX SETOFF APPROVED BY THE GOVERNING BODY OF A COUNTY, THE~~  
37 ~~GOVERNING BODY OF THE MUNICIPAL CORPORATION OR CITIZEN MAY APPEAL~~  
38 ~~THIS RESULT TO THE CIRCUIT COURT.~~

39           ~~(J) (1) IF THE GOVERNING BODY OF THE COUNTY FAILS TO MEET THE~~  
40 ~~REQUIRED DEADLINE IN SUBSECTION (I) OF THIS SECTION, THE PROPERTY TAX~~  
41 ~~SETOFF SHALL BE SET AT 105% OF THE LEVEL OF THE SETOFF DURING THE~~  
42 ~~PRECEDING YEAR.~~

1           ~~(2) IF THE GOVERNING BODY OF THE COUNTY DOES NOT SET THE~~  
 2 ~~PROPERTY TAX SETOFF AT 105% AS REQUIRED UNDER PARAGRAPH (1) OF THIS~~  
 3 ~~SUBSECTION, THE MUNICIPAL CORPORATION MAY FILE AN ACTION FOR A WRIT OF~~  
 4 ~~MANDAMUS, AND IF THE COURT FINDS THAT THE GOVERNING BODY OF THE~~  
 5 ~~COUNTY FAILED TO MEET THE DEADLINE IN SUBSECTION (1) OF THIS SECTION, THE~~  
 6 ~~COURT MAY ISSUE A WRIT DIRECTING THE COUNTY TO SET THE PROPERTY TAX SET~~  
 7 ~~OFF AT 105% OF THE LEVEL OF THE SETOFF DURING THE PRECEDING YEAR.~~

8 ~~6-306.~~

9           (a) This section applies to any county not listed in § 6-305 of this subtitle.

10           (b) The governing body of the county shall meet annually and discuss with the  
 11 governing body of any municipal corporation in the county the county property tax rate to  
 12 be set for assessments of property in the municipal corporation. After the meeting if a  
 13 municipal corporation performs services or programs instead of similar county services or  
 14 programs, the governing body of the county may impose the county property tax on  
 15 assessments of property in the municipal corporation at a rate that is less than the general  
 16 county property tax rate.

17           (c) In determining the county property tax rate to be set for assessments of  
 18 property in a municipal corporation, the governing body of the county may consider:

19                   (1) the services and programs that are performed by the municipal  
 20 corporation instead of similar county services and programs; and

21                   (2) the extent that the similar services and programs are funded by property  
 22 tax revenues.

23           (d) The county property tax rate for assessments of property located in a  
 24 municipal corporation is not required to be:

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

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

28           (e) Instead of imposing a county property tax at a lesser rate for assessments of  
 29 property in a municipal corporation, the governing body of the county may make a  
 30 payment to a municipal corporation to aid the municipal corporation in funding  
 31 municipal corporation services or programs that are similar to county services or  
 32 programs.]

33 ~~6-307.~~

34           The governing body of Anne Arundel County or of Howard County may not impose  
 35 a county property tax on property of a resident of a municipal corporation for any service  
 36 that the municipal corporation provides for the resident.

37           (a) There is a Task Force to Study County Property Tax Setoffs and Related  
 38 Fiscal Issues. The Task Force shall examine issues relating to taxes that municipal  
 39 property owners are paying for parallel services they do not receive from county  
 40 governments, service delivery efficiency, and tax equity.

1           (b) The Task Force consists of:

2                   (1) Four Delegates appointed by the Speaker;

3                   (2) Four Senators appointed by the President;

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

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

8                   (5) The Chief Judge of the Office of Administrative Hearings or the Chief  
9 Judge's designee; and

10                  (6) The Director of the Revenue Administration Division of the Office of  
11 the Comptroller or the Director's designee.

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

14           (d) (1) The Department of Fiscal Services shall provide staff to the Task Force.

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

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

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

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

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

25                           (i) The equitable treatment of property taxpayers where double  
26 taxation exists;

27                           (ii) Local income tax distributions;

28                           (iii) Other shared tax distributions;

29                           (iv) Police aid distributions;

30                           (v) Accountability for service efficiency; and

31                           (vi) Efficiency loss from service duplication.

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

7

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