

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 601 (Prince George's County Delegation)
Ways and Means

Referred to Budget and Taxation

Takoma Park Unification - County Income Tax Receipts for 1997
PG 416-97

This amended emergency bill requires that one-half of tax year 1997 county income tax paid by residents of the portion of Takoma Park which is currently a part of Prince George's County be distributed to Prince George's County, and one-half be distributed to Montgomery County. The bill also requires that, for purposes of determining State aid for education and libraries for fiscal 2000 only, net taxable income for Montgomery County shall exclude one-half of the net taxable income of residents of the portion of Takoma Park which will become a part of Montgomery County on July 1, 1997. Net taxable income for Prince George's County must include this amount.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County revenues would increase by an estimated \$276,000 in FY 1997 and Montgomery County revenues would decline by an estimated \$276,000.

Small Business Effect: None. The bill would not directly affect small businesses.

Fiscal Analysis

Local Revenues: Under current law, county income tax revenue from a taxpayer is distributed to the jurisdiction in which the taxpayer lives on the last day of the tax year. A portion of Takoma Park will transfer from Prince George's County to Montgomery County on July 1, 1997. The local income tax revenue from residents of this part of Takoma Park would therefore be distributed entirely to Montgomery County. This bill provides that half of tax year 1997 revenue be distributed to Prince George's County and half to Montgomery County.

In tax year 1997, an estimated \$1,540,000 in local income tax will be paid by residents of the Prince George's County portion of Takoma Park. Pursuant to this bill, half of this amount, or \$770,000, will be distributed to Prince George's County rather than Montgomery County. Based on the distribution over time of tax year 1994 revenue, Prince George's County revenues will increase by about \$276,000 in fiscal 1997, \$482,000 in fiscal 1998, and \$12,000 in fiscal 1999. Montgomery County revenues will decrease by the same amounts. The total amount of local income taxes paid will remain the same.

In fiscal 2000, Montgomery County would receive an increase of about \$200,000 in State aid due to the exclusion of one-half of net taxable income of residents of the portion of Takoma Park which will become a part of Montgomery County from Montgomery County's net taxable income. Prince George's County would receive \$200,000 less in State aid.

Information Source(s): Office of the Comptroller (Revenue Administration Division), Prince George's County, Department of Fiscal Services

Fiscal Note History: First Reader - March 10, 1997
ncs Revised - House Third Reader - April 2, 1997

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