

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 113 (Senator Middleton, *et al.*) (Task Force to Study County Property Tax Setoffs and Related Fiscal Issues)

Budget and Taxation

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Property Tax Setoffs in Municipal Corporations

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This bill alters the process used by counties and municipalities to evaluate and determine property tax setoffs.

This bill is effective July 1, 1998.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** None. This bill is procedural in nature.

**Small Business Effect:** None.

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Fiscal Analysis

**Bill Summary:** This bill defines a tax setoff as the difference between the county property tax rate and the municipal property tax rate or as a payment made to a municipality to aid that municipality in funding services or programs that are similar to those provided by the county.

The bill requires any municipality desiring a property tax setoff from a county to submit a proposal that states the desired level of the setoff at least 180 days before the required date of approval of the county's annual budget. The municipality would be required to provide the county with financial records, documentation of municipal revenues and expenditures, and a description of the services or programs provided by the municipality in lieu of similar services provided by the county. The county is then required to provide the municipality with financial information regarding county revenues and expenditures.

At least 90 days prior to the required date of approval of the county's annual budget,

representatives from both the county and the municipality must meet and discuss the tax setoff request. Prior to the release of the proposed county budget to the public, a statement of intent regarding tax setoffs, including an explanation of the proposed tax setoff, would be submitted to each municipality requesting a setoff.

The bill also includes provisions that authorize counties and municipalities to bypass these timing and informational requirements in the event that alternative processes result from negotiations that are satisfactory to both participants. Counties and municipalities are authorized to determine tax setoffs by any other process that is mutually agreeable.

**Additional Information:** Eight counties are currently required to provide a municipality with a tax differential if the municipality demonstrates that it performs certain services in lieu of similar county services; these counties would now be required to provide a tax setoff as defined by the bill.

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**Information Sources:** Department of Assessments and Taxation, Howard County, Prince George's County, City of Bowie, Town of Thurmont, Department of Legislative Services

**Fiscal Note History:** First Reader - January 26, 1998  
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