

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 634
Ways and Means

(Delegate Hixson, *et al.*)

Property Tax - Charter Counties - Limits

This bill authorizes the county council of a charter county, by a two-thirds vote of the council, to set a property tax rate higher than set in the county charter or to collect more property tax revenues than authorized by the county charter.

The bill is effective June 1, 2003 and applicable to tax years after June 30, 2003.

Fiscal Summary

State Effect: None. The bill would affect local government operations only.

Local Effect: This bill could significantly increase charter county property tax revenues.

Small Business Effect: Potential significant impact on small businesses if charter counties increased property tax rates or increased any limitation of property tax revenues.

Analysis

Current Law: There is no State statutory provision that allows a county council to override a charter limitation of property taxes. The following are charter counties: Anne Arundel, Baltimore, Harford, Howard, Montgomery, Prince George's, Talbot, and Wicomico. The Montgomery County charter provides that the council can override its property tax limitation with the approval of seven of the nine members.

Background: Five charter counties (Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico) have amended their charters to limit property tax rates or revenues. In Anne Arundel County, the total annual increase in property tax revenues is

limited to the lesser of 4.5% or the increase in the consumer price index. In Montgomery County, the growth in property tax revenues is limited to the increase in the consumer price index; however, this limitation does not apply to new construction. In addition, the limitation can be overridden by an affirmative vote of seven of the nine county council members. In Prince George's County, the general property tax rate is capped at \$0.96 per \$100 of assessed value. Special taxing districts, such as the Maryland-National Capital Park and Planning Commission, are not included under this cap. In Talbot and Wicomico counties, the total annual increase in property tax revenues is limited to the lesser of 2% or the increase in the consumer price index.

Local Revenues: Charter county property tax revenues could increase significantly if the council were to override a limitation by two-thirds vote. Any related increase in property tax revenues cannot be reliably estimated at this time.

Additional Comments: In addition to any direct increase in property tax revenues, Prince George's County advises that this legislation would enable the county to improve its current bond rating and decrease its related interest expense. According to the county, the rating agencies greatest criticism of the county has been its inability to raise taxes to cover debt service in the event of an economic downturn. If the county were able to override the charter limitation on its property tax rate, it could be sufficient to allow the rating agencies to increase the county bond rating.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Assessments and Taxation, Montgomery County, Prince George's County, Howard County, Department of Legislative Services

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