

**Department of Legislative Services**  
Maryland General Assembly  
2004 Session

**FISCAL AND POLICY NOTE**

House Bill 273  
Ways and Means

(Delegates Hixson and McIntosh)

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**Property Tax - Charter Counties - Limits**

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This bill authorizes the county council of a charter county to set a property tax rate higher than the rate authorized under the county's charter or to collect more property tax revenues than the revenues authorized under the charter if approved by a two-thirds vote of the full membership of the council. The bill also requires any county that does this to appropriate to the county board of education all property tax revenues exceeding the amount that would have been authorized if the property tax rate or revenue limitation in the county charter had been applied.

The bill takes effect July 1, 2004.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Potential increase in local real and personal property tax revenues in five of the State's charter counties (Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico). The amount of any increase depends on new tax rates or revenue in excess of current limits.

**Small Business Effect:** Potential meaningful. This bill could increase property taxes for small businesses that own real property in Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico counties.

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## Analysis

**Current Law:** The State's nine charter counties are Anne Arundel, Baltimore, Dorchester, Harford, Howard, Montgomery, Prince George's, Talbot, and Wicomico. Several of these counties have tax rate or revenue limits, which would be affected by the bill.

Prince George's County has a tax rate limit. After the conversion to 100% assessments, the tax rate limit was converted to \$0.96 per \$100 of assessment. Special taxing districts are not covered by this cap. Anne Arundel, Montgomery, Talbot, and Wicomico counties have adopted tax revenue limits. In Anne Arundel County, the total annual increase in property tax revenues is limited to the lesser of 4.5% or the Consumer Price Index (CPI). In Montgomery County, the growth in property tax revenues is limited to the CPI, but new construction is exempted from this cap. Montgomery County allows a supermajority of seven out of nine county council members to override the revenue limit. In Talbot and Wicomico counties, the total annual increase in real property tax revenues is limited to the lesser of 2% or the CPI.

### **Background:**

#### *Anne Arundel County*

Anne Arundel County advises that if the county had the authority to exceed its revenue cap in fiscal 2004, the county council could have raised the property tax rate by \$0.38 to generate \$16 million, which was the difference between the Board of Education's budget request and their approved budget.

#### *Prince George's County*

The TRIM amendment was a 1978 ballot initiative (Question G) that was ratified in the general election of that year. The original provision prohibited the Prince George's County Council from levying a real property tax that would result in a total collection of real property taxes greater than the amount collected in fiscal 1979. This provision resulted in the county council reducing the county's property tax rate from \$1.364 per \$100 of assessed value in fiscal 1978 to \$0.972 in fiscal 1985. (These rates are based on property assessments at 100% of market valuation. Prior to fiscal 2002, property tax rates were based on 40% of market valuation). In 1984 the county council proposed a replacement charter amendment, Chapter 33 (CB-63-1984), which was Question A on the ballot. This amendment altered the original provision by capping the county's real property tax rate at \$0.96. This amendment was ratified at the November 1984 general

election. The Prince George's County general property tax rate has remained at \$0.96 since fiscal 1986.

Several attempts to modify or repeal TRIM have been made in recent years but to no avail. In 1992 a ballot initiative failed (Question D) which would have altered TRIM by basing the property tax limitation on the amount of revenue collected in fiscal 1993 with future year revenue growth tied to the lesser of inflation or 5%. In 1996 the county council proposed a charter amendment, Chapter 27 (CB-61-1996), which would have replaced TRIM with a provision that enabled the county council to increase the county general property tax rate upon the affirmative vote of two-thirds of the members of the full council. This proposal was defeated in the 1996 referendum, but Question I, a citizen's initiative adding a new section (817C) to the county charter, was adopted. This initiative requires any tax or fee increase with some exceptions to be ratified by the voters at the next general election. This new initiative has further constrained the council's ability to raise additional revenue by imposing restrictions on other revenue sources besides the property tax.

#### *Talbot County*

Talbot County has operated under a revenue cap since the 1970s. The cap excludes new construction. Due to increasing amounts of new construction in the county, the county has not been impacted by the revenue cap.

#### *Wicomico County*

Wicomico County's revenue cap was 2% for fiscal 2004 and is 1.9% for fiscal 2005. The cap impacted county revenue in fiscal 2004 as follows:

- all departments had a 1% budget reduction in their fiscal 2004 operating budgets; these cuts to operating costs were either absorbed or programs were cut back;
- the county eliminated all grants to local organizations that were not mandated by law;
- the county funded an increase to education only to the extent of maintenance of effort – no additional funds over and above that were authorized;
- major cuts to the roads budget (roads are not general funded) – about one-third of a normal \$6 million program, including stopping the blacktopping program, although repairs will continue to be made on an emergency basis; and
- across the board allowed the county to keep its rainy day fund intact in fiscal 2004.

It is estimated that for fiscal 2005, the roads budget will continue to be impacted in a similar manner as in fiscal 2004. The cost of mosquito spraying is also expected to increase. It is likely that program cuts may be needed in 2005 as well.

**Local Fiscal Effect:** Under the bill, Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico counties could exceed the tax rate or tax revenue limits currently in their charters. Should these counties decide to exceed the limits, all excess money must go to public schools. The bill also prohibits other sources of public school revenues from being decreased due to the increased real property tax revenues.

Any revenue increase resulting from the bill would depend on specific changes made to county tax rates or revenue limitations. At this time, it is not known which, if any, of these counties would choose to exceed the tax rate or revenue limitations provided on the county charter.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, Wicomico County, Montgomery County, Prince George's County, Harford County, Talbot County, Dorchester County, Howard County, Baltimore County, Anne Arundel County, Department of Legislative Services

**Fiscal Note History:** First Reader - March 17, 2004  
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