

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

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 584

(Prince George's County Delegation)

Ways and Means

Budget and Taxation

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**Prince George's County - Education Funding - Tax Limitation Exception**  
**PG 403-04**

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This bill authorizes the Prince George's County Executive to recommend that the county council set a county real property tax rate that exceeds the level permitted by the county charter and that the increase is to be \$0.10 per \$100 of assessment. The additional revenues must be appropriated to the County Board of Education and spent on specified education priorities. Before the county real property tax rate can be increased above the charter limit, the tax rate increase must be submitted to referendum. Finally, the bill grants a property tax credit in an amount equal to the tax increase to those homeowners who are at least 60 years old or who have combined income less than \$50,000.

The bill takes effect July 1, 2004 and applies to all taxable years beginning after June 30, 2005.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Potential increase in Prince George's County revenues for the Board of Education of approximately \$44.4 million in FY 2006, increasing to \$48.6 million by FY 2009.

**Small Business Effect:** Meaningful. Small businesses in Prince George's County would be subject to higher real and personal property taxes.

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## Analysis

**Current Law:** The Prince George's County general real property tax rate is capped at \$0.96 per \$100 of assessed value.

**Background:** 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.

Prince George's County has the second highest real property tax rate in Maryland at \$1.319 per \$100 of assessed value. This includes the \$0.96 general property tax rate that is capped under TRIM and the other rates (Maryland-National Capital Park and Planning Commission, Washington Suburban Transit Commission, and Stormwater) that are not affected by TRIM.

**Local Fiscal Effect:** Net Prince George's County revenues for the Board of Education could increase by approximately \$44.4 million in fiscal 2006. If the Prince George's County real property tax rate were increased by \$0.10, county revenues could increase by approximately \$56.5 million in fiscal 2006 while the proposed tax credit could reduce revenues by approximately \$12.1 million. The estimate is based on the following:

- Statute provides that the county personal property tax rate is equal to 2.5 times the real property tax rate; the bill would also increase the Prince George's County personal property tax rate by \$0.25.
- 2000 Census data indicates that as of July 1, 2003, there were 177,795 owner occupied properties in Prince George's County; approximately 45,500 homeowners are over age 60; approximately 44% of households have income less than \$50,000.
- Approximately 78,230 homeowners could be eligible for the tax credit proposed by the bill.
- The median assessment in Prince George's County was \$150,150 in fiscal 2003; therefore, it is assumed that a \$0.10 increase in the tax rate would result in a tax increase of approximately \$150 per homeowner.
- Future year revenues will increase by 3%, which accounts for increasing real property assessments and decreasing personal property assessments.

**Appendix 1** shows the estimated assessable base for all real and personal property and the revenue resulting from the proposed \$0.10 rate increase, excluding the impact of the proposed tax credit for fiscal 2006, as well as a list of current real and personal property tax rates in the county.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 16, 2004  
lc/hlb Revised - House Third Reader - April 1, 2004

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**Appendix 1**  
**Ten Cent Increase on Prince George's County Property Tax Rate**  
**Estimated Revenues for Fiscal 2006**

	Subject to the Real Property Tax Rate				Subject to the Personal Property Tax Rate					Total
	Real Property		Railroad	Subtotal	Railroad Operating	Utility Operating		Business	Subtotal	
	Full Year	New	Operating			Real Property	Personal Property	Personal Property		
Assessable Base	\$49,074,218,000	\$225,000,000	\$6,551,000	\$49,305,769,000	\$4,589,000	\$75,221,000	\$1,037,564,000	\$1,773,495,000	\$2,890,869,000	\$52,196,638,000
Rate Increase	\$0.10	\$0.10	\$0.10	\$0.10	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	
Revenue Increase	\$49,074,218	\$225,000	\$6,551	\$49,305,769	\$11,473	\$188,053	\$2,593,910	\$4,433,738	\$7,227,173	\$56,532,942

**Prince George's County Property Tax Rates for Fiscal 2003**  
**(Per \$100 of assessed value)**

	<u>Real</u>	<u>Personal</u>
General Tax	\$0.960	\$2.400
Pre-TRIM Rate	\$0.002	\$0.004
M-NCPPC	\$0.244	\$0.610
WSTC	\$0.026	\$0.065
Stormwater	<u>\$0.054</u>	<u>\$0.135</u>
<b>Total Rate</b>	<b>\$1.286</b>	<b>\$3.214</b>

Note: Personal property is subject to a tax rate that is 2.5 times higher than real property.  
Source: County assessable base data is from the State Department of Assessments and Taxation, March 21, 2003 estimates for the tax year beginning July 1, 2004.  
County property tax rates are from the Department of Legislative Services annual tax rate survey.