

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 125
Ways and Means

(Delegates Hixson and McIntosh)

Property Tax - Charter Counties - Limits

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 takes effect June 1, 2008 and is applicable to all taxable years beginning after June 30, 2008.

Fiscal Summary

State Effect: None.

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

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

Analysis

Current Law: There is no State statutory provision that allows a county council to override a charter limitation on property taxes. The Montgomery County Charter provides that the county council can override its property tax limitation with the approval

of seven of the nine members. The State's nine charter counties are Anne Arundel, Baltimore, Dorchester, Harford, Howard, Montgomery, Prince George's, Talbot, and Wicomico.

Background: Five charter counties (Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico) have amended their charters to limit property tax rates or revenue growth.

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.

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.

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 the tax cap.

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

Operating under a revenue cap since the 1970s, the total annual increase in property tax revenues is limited to the lesser of 2% or the increase in the consumer price index. The cap excludes new construction.

Wicomico County

Property tax revenue is limited to the lesser of 2% or the increase in the consumer price index.

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 if the council were to override a limitation by two-thirds vote.

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. **Exhibit 1** shows county property tax rates, including appropriate countywide special tax rates, for fiscal 2004 through 2008. **Exhibit 2** shows the countywide special tax rates in Charles, Frederick, Howard, Montgomery, and Prince George's counties in fiscal 2008. **Exhibit 3** shows the one-cent yield in county real property tax rates for each of the affected five counties.

Exhibit 1
Real Property Tax Rates in Maryland Counties
(Per \$100 of Assessed Value)
Fiscal 2004-2008

County	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Allegany	\$1.000	\$1.001	\$1.001	\$0.983	\$0.983
Anne Arundel	0.955	0.941	0.931	0.918	0.891
Baltimore City	2.328	2.328	2.308	2.288	2.268
Baltimore	1.115	1.115	1.115	1.110	1.100
Calvert	0.892	0.892	0.892	0.892	0.892
Caroline	0.952	0.952	0.910	0.870	0.870
Carroll	1.048	1.048	1.048	1.048	1.048
Cecil	0.980	0.980	0.980	0.960	0.960
Charles	1.016	1.026	1.026	1.026	1.026
Dorchester	0.930	0.930	0.920	0.896	0.896
Frederick	1.135	1.135	1.135	1.064	1.064
Garrett	1.036	1.036	1.000	1.000	1.000
Harford	1.092	1.092	1.082	1.082	1.082
Howard	1.170	1.170	1.170	1.140	1.150
Kent	1.012	1.012	0.992	0.972	0.972
Montgomery	1.019	1.009	0.967	0.916	0.916
Prince George's	1.319	1.319	1.319	1.319	1.319
Queen Anne's	0.976	0.926	0.870	0.800	0.770
St. Mary's	0.908	0.878	0.872	0.857	0.857
Somerset	1.010	1.010	0.990	0.940	0.940
Talbot	0.553	0.540	0.520	0.500	0.475
Washington	0.948	0.948	0.948	0.948	0.948
Wicomico	1.041	1.025	0.993	0.942	0.881
Worcester	0.730	0.730	0.730	0.700	0.700

Note: The rates in Charles, Frederick, Howard, Montgomery, and Prince George's counties reflect special rates for services not funded from the general county property tax rate. Charter counties with property tax limitations are in bold.

Source: Department of Legislative Services

Exhibit 2
Special County Property Tax Rates
Fiscal 2008

	<u>Real Property Tax Rate</u>	<u>Percent of Total</u>
Charles County		
General Tax	\$0.962	93.8%
Fire District Tax	0.064	6.2%
Total Rate	\$1.026	100.0%
Frederick County		
General Tax	\$0.936	88.0%
Fire District Tax (Urban)	0.128	12.0%
Total Rate	\$1.064	100.0%
Howard County		
General Tax	\$1.0140	88.2%
Fire District Tax (Metro)	0.1355	11.8%
Total Rate	\$1.1495	100.0%
Montgomery County		
General Tax	\$0.627	68.4%
Transit Tax	0.058	6.3%
Fire District Tax	0.126	13.8%
M-NCPMC	0.078	8.5%
Recreation Tax	0.024	2.6%
Storm Drainage Tax	0.003	0.3%
Total Rate	\$0.916	100.0%
Prince George's County		
General Tax	\$0.960	72.8%
M-NCPMC	0.279	21.2%
WSTC	0.026	2.0%
Stormwater	0.054	4.1%
Total Rate	\$1.319	100.0%

Source: Department of Legislative Services

Exhibit 3
One-cent Yield in County Real Property Tax Rates
Fiscal 2007-2008

<u>County</u>	<u>Population</u>	<u>FY 2007</u>	<u>FY 2008</u>
Anne Arundel	509,300	\$5,829,000	\$6,928,000
Montgomery	932,131	14,190,000	18,029,000
Prince George's	841,315	5,991,000	7,157,000
Talbot	36,062	670,000	788,000
Wicomico	91,987	514,000	587,000

Note: One-cent yield represents the amount of revenue the county can generate by increasing its real property tax rate by one cent (\$0.01) per \$100 of assessed value.

Source: Department of Legislative Services

Additional Information

Prior Introductions: The bill was introduced as HB 399 in the 2007 session and as HB 634 in the 2003 session. The House Ways and Means Committee took no action on either bill.

Cross File: None.

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

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