

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 709
Budget and Taxation

(Senator Rosapepe, *et al.*)

Prince George's County - City of Laurel - Tax Rebate for Local Bus Service

This bill requires Prince George's County to grant a tax rebate to the City of Laurel in an amount equal to the county property tax paid by city residents to fund county bus service. The City of Laurel may use the tax rebate to fund bus service for the Greater Laurel area.

The bill takes effect June 1, 2009, and applies to taxable years beginning after June 30, 2009.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County expenditures and the City of Laurel revenues will increase by approximately \$610,100 beginning in FY 2010. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law: Section 6-305 of the Tax-Property Article requires Prince George's County to meet annually with its municipalities to discuss the property tax rate to be set for assessments of property in the municipalities. If it is demonstrated that a municipality performs services or programs in lieu of similar county services and programs, the county government must impose a county property tax on assessments of property in the municipality at a rate that is less than the general county property tax rate. The lower county property tax rate within a municipality is commonly known as a tax differential. Alternatively, the county government has the option of making a payment to the municipality, which is commonly known as a tax rebate.

Background: A property tax rate differential or tax rebate enables county governments to compensate municipalities for governmental services or programs that municipalities provide in lieu of similar county services or programs. The major governmental services performed by municipalities that may result in tax set offs include police protection, highway and street maintenance, sanitation and waste collection, planning and zoning services, and recreation and parks services.

In fiscal 2008, Prince George's County provided its 27 municipalities with tax differentials valued at an estimated \$21.3 million and tax rebates totaling approximately \$0.7 million as illustrated in **Exhibit 1**.

County law requires the cost for each service for each municipality identified in the prior year county budget to be assigned a tax rate equivalency value after adjustments are made to offset revenue directly allocated to a specific service. The aggregate town requests for "in lieu of" service credit, as certified by the county, are translated into a dollar value. This dollar value is calculated by totaling the products of the tax rate equivalent cost of the service multiplied by each municipality's assessable base. Each of these net service values is then reduced to reflect the portion of each county service paid for by the property tax levy. The sum of the tax rate values of the duplicative services constitutes the calculated tax rate differential for each municipality. The county uses a three-year rolling average in applying the calculated tax differentials in order to provide stability to municipal residents' county tax rates in the event of rate changes due to county services reorganization, economic fluctuations, or other factors. The county also provides tax rebates for solid waste collection and code enforcement.

County and Municipal Property Tax Rates in the City of Laurel

Prince George's County imposes a general county property tax rate and three special property tax rates as shown in **Exhibit 2**. The City of Laurel is currently exempt from a portion of the M-NCPPC property tax rate, since the city provides its own park system and planning/zoning services. The partial exemption results in a 21.85 cent reduction in the county property tax rate within the City of Laurel. In addition, the county provides an additional 20.4 cent property tax rate reduction to offset the cost for municipal services provided in lieu of similar county services. Accordingly, the county property tax rate in the City of Laurel totals \$0.897 instead of \$1.319. This represents a 42.3 cent reduction in the overall county property tax rate within the City of Laurel. However, when both the county and municipal property tax rates are combined, city residents in Laurel incur a higher tax burden than non-municipal county residents. The municipal property tax rate in the City of Laurel totals \$0.71, which is higher than the tax differentials provided by the county government.

Exhibit 1
Tax Differentials and Rebates in Prince George's County
Fiscal 2008

Municipality	Real Property Tax Rate Differential	Personal Property Tax Rate Differential	Differential Amount	Rebate Amount	Total
Berwyn Heights	\$0.1550	\$0.3660	\$630,363	\$8,231	\$638,594
Bladensburg	0.1630	0.3860	742,753	22,486	765,239
Bowie	0.0140	0.0330	874,166	162,210	1,036,376
Brentwood	0.0220	0.0520	50,843	8,379	59,222
Capitol Heights	0.1400	0.3310	439,587	10,723	450,310
Cheverly	0.1470	0.3480	1,020,476	20,883	1,041,359
College Park	0.0160	0.0380	354,598	81,797	436,395
Colmar Manor	0.0280	0.0660	31,553	3,483	35,036
Cottage City	0.1420	0.3360	159,654	3,446	163,100
District Heights	0.1500	0.3540	652,528	22,500	675,028
Eagle Harbor	0.0050	0.0110	260	143	403
Edmonston	0.1490	0.3520	240,536	3,343	243,879
Fairmount Heights	0.0830	0.1950	97,113	3,908	101,021
Forest Heights	0.1110	0.2630	247,512	7,997	255,509
Glenarden	0.1290	0.3040	554,699	16,371	571,070
Greenbelt	0.1680	0.3970	3,895,098	70,970	3,966,068
Hyattsville	0.1630	0.3850	3,137,133	48,023	3,185,156
Landover Hills	0.1560	0.3680	204,126	5,644	209,770
Laurel	0.1960	0.4630	4,354,069	67,202	4,421,271
Morningside	0.1410	0.3330	156,293	4,251	160,544
Mount Rainier	0.1610	0.3810	710,838	22,179	733,017
New Carrollton	0.0630	0.1470	575,073	33,467	608,540
North Brentwood	0.0110	0.0250	5,897	1,428	7,325
Riverdale Park	0.1660	0.3930	956,882	17,335	974,217
Seat Pleasant	0.1500	0.3560	455,415	14,942	470,357
University Park	0.1510	0.3570	586,425	6,254	592,679
Upper Marlboro	0.1060	0.2510	118,714	2,077	120,791
Total			\$21,252,605	\$669,672	\$21,922,277

Exhibit 2
County and Municipal Property Tax Rates in Laurel, Maryland
Fiscal 2009

	<u>Countywide</u>	<u>City of Laurel</u>	<u>Difference</u>
General Tax	\$0.9600	\$0.7560	-\$0.2040
M-NCPPC			
<i>Administration</i>	<i>0.0466</i>	<i>0.0000</i>	<i>-0.0466</i>
<i>Parks</i>	<i>0.1719</i>	<i>0.0000</i>	<i>-0.1719</i>
<i>Recreation</i>	<i>0.0592</i>	<i>0.0592</i>	<i>0.0000</i>
<i>Land Acquisition</i>	<i>0.0013</i>	<i>0.0013</i>	<i>0.0000</i>
Subtotal	0.2790	0.0605	-0.2185
WSTC	0.0260	0.0260	0.0000
Stormwater	0.0540	0.0540	0.0000
Total County Rate	\$1.3190	\$0.8965	-\$0.4225
Municipal Rate	\$0.0000	\$0.7100	\$0.7100
Combined Rate	\$1.3190	\$1.6065	\$0.2875

Note: M-NCPPC-Maryland National Capital Park and Planning Commission
WSTC: Washington Suburban Transit Commission

Local Fiscal Effect: Providing a tax rebate to the City of Laurel will increase Prince George's County expenditures and the City of Laurel revenues by approximately \$610,100 beginning in fiscal 2010. Currently, Prince George's County imposes a \$0.026 property tax rate on each resident's tax bill to fund bus service for county residents through the Washington Suburban Transit Commission. However, the bus service operated by Prince George's County does not provide service for the City of Laurel. Based on the current assessable base in the city and the WSTC tax rate, Prince George's County will have to provide the City of Laurel with a tax rebate of approximately \$610,100 beginning in fiscal 2010, as shown in **Exhibit 3**.

Exhibit 3
Tax Rebate for the City of Laurel

Assessable Base	\$2,346,405,000
WSTC Tax Rate	\$0.026
Rebate Amount	\$610,100

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): City of Laurel, Prince George's County, Department of Legislative Services

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