

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 83
Ways and Means

(Delegate Hixson, *et al.*)

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, 2012, and is applicable to all taxable years beginning after June 30, 2012.

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 may 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 a unanimous vote of all nine council members. The State's nine charter home rule counties are

Anne Arundel, Baltimore, Dorchester, Harford, Howard, Montgomery, Prince George's, Talbot, and Wicomico. Cecil County will become a charter home rule county on December 3, 2012.

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 unanimous vote of all 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 county council were to override a limitation by two-thirds vote.

Any revenue increase resulting from the bill will 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 may 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 2008 through 2012. **Exhibit 2** shows the countywide special tax rates in Charles, Frederick, Howard, Montgomery, and Prince George's counties in fiscal 2012. **Exhibit 3** shows the one-cent yield in county real property tax rates for each of the affected five counties for fiscal 2011 and 2012.

Exhibit 1
Real Property Tax Rates in Maryland Counties
(Per \$100 of Assessed Value)
Fiscal 2008-2012

| County | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
|------------------------|----------------|----------------|----------------|----------------|----------------|
| Allegany | \$0.9829 | \$0.9829 | \$0.9829 | \$0.9829 | \$0.9820 |
| Anne Arundel | 0.8910 | 0.8880 | 0.8760 | 0.8800 | 0.9100 |
| Baltimore City | 2.2680 | 2.2680 | 2.2680 | 2.2680 | 2.2680 |
| Baltimore | 1.1000 | 1.1000 | 1.1000 | 1.1000 | 1.1000 |
| Calvert | 0.8920 | 0.8920 | 0.8920 | 0.8920 | 0.8920 |
| Caroline | 0.8700 | 0.8700 | 0.8700 | 0.8700 | 0.8700 |
| Carroll | 1.0480 | 1.0480 | 1.0480 | 1.0480 | 1.0280 |
| Cecil | 0.9600 | 0.9600 | 0.9400 | 0.9153 | 0.9401 |
| Charles | 1.0260 | 1.0260 | 1.0260 | 1.0260 | 1.0665 |
| Dorchester | 0.8960 | 0.8960 | 0.8960 | 0.8960 | 0.9760 |
| Frederick | 1.0640 | 1.0640 | 1.0640 | 1.0640 | 1.0640 |
| Garrett | 1.0000 | 1.0000 | 0.9900 | 0.9900 | 0.9900 |
| Harford | 1.0820 | 1.0820 | 1.0640 | 1.0420 | 1.0420 |
| Howard | 1.1495 | 1.1495 | 1.1495 | 1.1495 | 1.1495 |
| Kent | 0.9720 | 0.9720 | 0.9720 | 1.0220 | 1.0220 |
| Montgomery | 0.9160 | 0.9150 | 0.9160 | 0.9150 | 0.9590 |
| Prince George's | 1.3190 | 1.3190 | 1.3190 | 1.3190 | 1.3190 |
| Queen Anne's | 0.7700 | 0.7700 | 0.7700 | 0.7671 | 0.8471 |
| St. Mary's | 0.8570 | 0.8570 | 0.8570 | 0.8570 | 0.8570 |
| Somerset | 0.9400 | 0.9200 | 0.9000 | 0.8837 | 0.8837 |
| Talbot | 0.4750 | 0.4490 | 0.4320 | 0.4320 | 0.4480 |
| Washington | 0.9480 | 0.9480 | 0.9480 | 0.9480 | 0.9480 |
| Wicomico | 0.8810 | 0.8140 | 0.7590 | 0.7590 | 0.7690 |
| Worcester | 0.7000 | 0.7000 | 0.7000 | 0.7000 | 0.7000 |

Note: The rates in Charles, Frederick, Howard, Montgomery, and Prince George's counties reflect special rates for services not funded from the general 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 2012

| | <u>Real Property Tax Rate</u> | <u>Percent of Total</u> |
|-------------------------------|-------------------------------|-------------------------|
| Charles County | | |
| General Tax | \$1.003 | 94.0% |
| Fire District Tax | 0.064 | 6.0% |
| Total Rate | \$1.067 | 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 | \$0.713 | 74.3% |
| Transit Tax | 0.038 | 4.0% |
| Fire District Tax | 0.121 | 12.6% |
| M-NCPPC | 0.066 | 6.9% |
| Recreation Tax | 0.018 | 1.9% |
| Storm Drainage Tax | 0.003 | 0.3% |
| Total Rate | \$0.959 | 100.0% |
| Prince George's County | | |
| General Tax | \$0.960 | 72.8% |
| M-NCPPC | 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 2011-2012

| County | Population | FY 2011 | FY 2012 |
|-----------------|-------------------|----------------|----------------|
| Anne Arundel | 537,656 | \$8,225,500 | \$7,699,800 |
| Montgomery | 971,777 | 17,516,400 | 16,384,000 |
| Prince George's | 863,420 | 9,596,100 | 8,307,800 |
| Talbot | 37,782 | 1,008,000 | 967,300 |
| Wicomico | 98,733 | 718,400 | 662,900 |

Source: Department of Legislative Services

Additional Information

Prior Introductions: This legislation was introduced as HB 1295 in 2011, HB 125 in 2008, HB 399 in 2007, and as HB 634 in 2003. The House Ways and Means Committee held hearings on each of the bills, but took no further action on any of them.

Cross File: None.

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

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