

Department of Legislative Services  
Maryland General Assembly  
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 707  
Budget and Taxation

(Senator Madaleno)

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Special Taxing Districts - Transportation Improvements and Exemption from  
County Tax Limitations

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This bill authorizes Baltimore City and county governments to set special property tax rates in special taxing districts for any class of property that is subject to the county property tax. In setting these tax rates, charter counties that have either a property tax rate limitation or revenue limitation are authorized to set tax rates higher than the county tax limitation. The bill specifies that subject to the annual budget and appropriation process, any revenue attributable to a special tax rate authorized under this legislation must be distributed for the purpose of financing the cost of State or local transportation improvements.

The bill takes effect June 1, 2013, and applies to taxable years beginning after June 30, 2013.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Potential increase in local property tax revenues beginning in FY 2014 to the extent special property tax rates are imposed in special taxing districts. Expenditures for State and local transportation improvements will increase by a commensurate amount.

**Small Business Effect:** Minimal.

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## Analysis

**Current Law:** Baltimore City and county governments must, on an annual basis, set the tax rate for the next taxable year on all assessments of property subject to that county's property tax. Except for specified circumstances, there is one county property tax rate for real property and the rate for personal property is 2.5 times the real property rate. While a municipality may impose property taxes on those classes of property that it selects to be subject to the municipal property tax, county governments are not authorized to set separate property tax rates among different classes and subclasses of property.

The county property tax rate may be supplemented by special property tax rates for special districts. Several counties have exercised this authority and have created special taxing districts to finance services not included in the general rate. These services range from fire protection and parks and recreation services, which usually encompass the entire local jurisdiction, to water, sewer, and community benefit services that target a smaller segment of the county. Further, taxpayers are subject to different rates in many districts depending on the level of services provided in those districts.

### *Property Tax Limitation Measures*

Five charter counties (Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico) have amended their charters to limit property tax rates or revenues. In 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. In 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 may be overridden by a unanimous vote of all nine county council members. In 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. In Talbot and Wicomico counties, the total annual increase in property tax revenues is limited to the lesser of 2% or the increase in the consumer price index.

The counties may exceed the charter limitations on local property taxes for the purpose of funding the approved budget of the local board of education. If a local property tax rate is set above the charter limit, the county governing body may not reduce funding provided to the local board of education from any other local source and must appropriate to the local board of education all of the revenues generated from any increase beyond the existing charter limit. Any use of this authority must be reported annually to the Governor and the General Assembly. This authority was enacted at the 2012 session in order to ensure that counties have the fiscal ability to meet new Maintenance of Effort requirements. In fiscal 2013, Talbot County became the first jurisdiction to exercise this

new authority by establishing a 2.6 cent supplemental property tax rate for the local board of education.

**Background:** All counties have authority to establish special taxing districts for limited purposes, such as providing drainage improvements or providing street lighting. In addition, the governing bodies of counties that have adopted charter home rule or code home rule also have broad authority under the Express Powers Act to create special taxing districts to carry out most “municipal-type” services. The number of special taxing districts established under this authority varies significantly. Anne Arundel County has established approximately 65 special districts known as community benefit districts. Other home rule counties have created few, if any, special taxing districts under this authority.

In addition, the General Assembly has granted 12 counties (Anne Arundel, Baltimore, Calvert, Cecil, Charles, Garrett, Harford, Howard, Prince George’s, St. Mary’s, Washington, and Wicomico) and Baltimore City broad authority to create special taxing districts and to levy ad valorem taxes and issue bonds and other obligations for purposes of financing infrastructure improvements. The types of infrastructure improvements authorized include storm drainage systems, water and sewer systems, roads, lighting, parking, parks and recreational facilities, libraries, schools, transit facilities, and solid waste facilities.

#### *Separate Tax Rates for Different Property Classes*

Title 8 of the Tax Property Article establishes the methods of property valuation and assessments; and lists those classifications of property created by the General Assembly. For assessment purposes, property is divided into two classes – real property and personal property. Real property is divided into 11 subclasses and personal property is divided into 7 subclasses as shown in **Appendix 1**. The State only imposes a property tax on real property; whereas, county governments impose separate tax rates for real and personal property. The personal property tax rate must be set at 2.5 times the real property tax rate. Several county governments do not impose a personal property tax on business property. State and county governments are not authorized to set separate property tax rates among different subclasses of property.

Unlike the State and county governments, municipalities have broader discretion to impose property tax rates on different classes of property. Municipalities may impose property taxes on those classes of property that it selects to be subject to the municipal property tax. In addition, municipalities retain the authority to classify property for local purposes and to impose different tax treatment on those classes. Furthermore, municipalities have the express power to exempt classes of property from taxation. Moreover, because municipalities may select the classes of property to be taxed and may

set special rates for any class of property that is subject to the municipal property tax; municipalities retain the authority to levy different tax rates on selected classes of property. The Maryland Municipal League advises that only four municipalities – Berwyn Heights, Colmar Manor, and North Brentwood in Prince George’s County and Pocomoke City in Worcester County – currently impose separate property tax rates on different classes of property.

**Local Fiscal Effect:** The bill allows Baltimore City and county governments to raise additional revenue by establishing a special taxing district and imposing a special property tax rate for any class of property for transportation improvements. In addition, Anne Arundel, Montgomery, Prince George’s, Talbot, and Wicomico counties will be able to raise revenue from a special taxing district tax in excess of each county’s revenue or property tax rate limit, provided these revenues are used for transportation related improvements.

The actual effect of the bill on county property tax revenues cannot be reliably estimated and depends on whether or not a county decides to impose special rates on property in a special taxing district for transportation improvements.

**Appendix 2** shows the real property tax rates for each county in fiscal 2004 through 2013. These rates are based on property assessments at 100% of market valuation. Certain counties impose special tax rates for services such as fire protection, transit, and water and sewer. **Appendix 3** shows the countywide special tax rates for these counties in fiscal 2013.

County assessable base in fiscal 2013 totaled \$673.6 billion or \$115,569 per State resident. Per capita assessable base ranges from \$53,051 in Allegany County to \$306,190 in Worcester County. Statewide, real property accounts for 96.7% of the assessable base and personal property accounts for 3.3%. **Appendix 4** shows the per capita assessable base and assessable base growth for each jurisdiction for fiscal 2013. **Appendix 5** shows the real, personal, and total county assessable base for each county for fiscal 2013.

Jurisdictions with a relatively larger property tax base can generate more revenues with an increase in the property tax rate. For example, a one-cent increase in the real property tax rate in Talbot County will generate approximately \$700,800 in revenues in fiscal 2014, whereas it will generate only \$136,200 in Somerset County, even though both jurisdictions have nearly the same number of residents. The fiscal impact of a one-cent increase in real property tax rates for fiscal 2011 through 2015 is depicted in **Appendix 6**. These revenue amounts reflect deductions for the Homestead Tax Credit Program.

*Potential Impact in Montgomery County*

Currently, Montgomery County has five countywide special property taxes that it imposes, as well as several targeted property taxes that it imposes in special taxing districts. **Exhibit 1** shows the property tax rates and estimated revenues for each special taxing district for fiscal 2013. Under current law, revenue from these taxes is subject to the county's revenue limitation. Pursuant to the bill, Montgomery County will be able to impose an additional special tax rate in which the resulting revenue could exceed the county's revenue cap, provided it is used for transportation improvements.

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**Exhibit 1**  
**Montgomery County Special Taxing Districts**  
**Fiscal 2013**

<b><u>Special Taxing District</u></b>	<b><u>Tax Rates</u></b>	<b><u>Property Tax Revenues</u></b>
Transit Tax	\$0.048	\$79,269,463
Fire District Tax	0.134	221,293,918
M-NCPPC	0.073	104,974,793
Recreation Tax	0.021	30,299,986
Storm Drainage Tax	0.003	3,812,753
Bethesda Parking District <sup>1</sup>	0.124	2,632,533
Montgomery Hills Parking District <sup>1</sup>	0.240	76,230
Silver Spring Parking District <sup>1</sup>	0.317	6,209,091
Wheaton Parking District <sup>1</sup>	0.240	415,690
Bethesda Urban District	0.012	454,990
Silver Spring Urban District	0.024	595,465
Wheaton Urban District	0.030	146,466
Bradley Noise Abatement	0.000	0
Cabin John Noise Abatement	0.010	1,050
<b>Total</b>		<b>\$450,182,428</b>

<sup>1</sup>Represents commercial real property tax rate.

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*Potential Impact in Prince George's County*

Prince George's County imposes three countywide special property taxes, as shown in **Exhibit 2**. Revenues generated from these taxes are not included under the county's property tax cap.

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**Exhibit 2**  
**Prince George's County Special Taxing Districts**  
**Fiscal 2012**

<u>Special Taxing District</u>	<u>Tax Rates</u>	<u>Property Tax Revenues</u>
M-NCPPC	\$0.279	\$236,101,700
WSTC	0.026	23,183,794
Stormwater	0.054	47,043,056
<b>Total</b>		<b>\$306,328,550</b>

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*Potential Impact in Other Charter Counties*

Wicomico County indicates that there are two special taxing districts in the county – Tax Ditches and the Urban Services Fund. The Tax Ditch fee is collected by the county and used for the maintenance and upkeep of tax ditches in rural areas of the county. The Urban Services Fund is used to provide water and sewer services to homes outside of municipalities in the county. In fiscal 2012, the Urban Services Fund generated \$594,700 in revenue and Tax Ditches generated \$106,500. Both of these funds are excluded from the county's revenue cap.

Anne Arundel and Talbot counties have a number of small special taxing districts, community benefits districts, sewer districts, and tax increment financing districts.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Anne Arundel, Dorchester, Garrett, Montgomery, Prince George's, Talbot, and Wicomico counties; State Department of Assessments and Taxation; Maryland Department of Transportation; Department of Legislative Services

**Fiscal Note History:** First Reader - March 4, 2013  
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**Appendix 1**  
**Classification of Property – Title 8 of Tax Property Article**

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**Real Property Class**

1. farm or agricultural use
2. marshland
3. woodland
4. country club or golf course
5. planned development use
6. rezoned real property – residential use
7. operating real property of a railroad
8. operating real property of a public utility
9. commercial real property – Internal Revenue Code
10. conservation property
11. all other real property

**Personal Property Class**

1. stock in business
2. distilled spirits
3. operating personal property of a railroad
4. operating personal property of a public utility that is machinery or equipment used to generate electricity or steam for sale
5. all other operating personal property of a public utility
6. machinery and equipment, other than operating personal property of a public utility
7. all other personal property

**Appendix 2**  
**County Real Property Tax Rates in Fiscal 2004-2013**  
**(Per \$100 of Assessed Value)**

<b>County</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
Allegany	\$1.000	\$1.001	\$1.001	\$0.983	\$0.983	\$0.983	\$0.983	\$0.983	\$0.982	\$0.981
Anne Arundel	0.955	0.941	0.931	0.918	0.891	0.888	0.876	0.880	0.910	0.941
Baltimore City	2.328	2.328	2.308	2.288	2.268	2.268	2.268	2.268	2.268	2.268
Baltimore	1.115	1.115	1.115	1.100	1.100	1.100	1.100	1.100	1.100	1.100
Calvert	0.892	0.892	0.892	0.892	0.892	0.892	0.892	0.892	0.892	0.892
Caroline	0.952	0.952	0.910	0.870	0.870	0.870	0.870	0.870	0.870	0.890
Carroll	1.048	1.048	1.048	1.048	1.048	1.048	1.048	1.048	1.028	1.018
Cecil	0.980	0.980	0.980	0.960	0.960	0.960	0.940	0.915	0.940	0.991
Charles	1.016	1.026	1.026	1.026	1.026	1.026	1.026	1.026	1.067	1.121
Dorchester	0.930	0.930	0.920	0.896	0.896	0.896	0.896	0.896	0.976	0.976
Frederick	1.135	1.135	1.135	1.064	1.064	1.064	1.064	1.064	1.064	1.064
Garrett	1.036	1.036	1.000	1.000	1.000	1.000	0.990	0.990	0.990	0.990
Harford	1.092	1.092	1.082	1.082	1.082	1.082	1.064	1.042	1.042	1.042
Howard	1.170	1.170	1.170	1.140	1.150	1.150	1.150	1.150	1.150	1.190
Kent	1.012	1.012	0.992	0.972	0.972	0.972	0.972	1.022	1.022	1.022
Montgomery	1.019	1.009	0.967	0.916	0.916	0.915	0.916	0.915	0.959	1.003
Prince George's	1.319	1.319	1.319	1.319	1.319	1.319	1.319	1.319	1.319	1.319
Queen Anne's	0.976	0.926	0.870	0.800	0.770	0.770	0.770	0.767	0.847	0.847
St. Mary's	0.908	0.878	0.872	0.857	0.857	0.857	0.857	0.857	0.857	0.857
Somerset	1.010	1.010	0.990	0.940	0.940	0.920	0.900	0.884	0.884	0.884
Talbot	0.553	0.540	0.520	0.500	0.475	0.449	0.432	0.432	0.448	0.491
Washington	0.948	0.948	0.948	0.948	0.948	0.948	0.948	0.948	0.948	0.948
Wicomico	1.041	1.025	0.993	0.942	0.881	0.814	0.759	0.759	0.769	0.840
Worcester	0.730	0.730	0.730	0.700	0.700	0.700	0.700	0.700	0.700	0.770

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

Source: Department of Legislative Services

**Appendix 3**  
**Special County Property Tax Rates**  
**Fiscal 2013**

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	<u>Real Property Tax Rate</u>	<u>Percent of Total</u>
<b>Charles County</b>		
General Tax	\$1.057	94.3%
Fire District Tax	0.064	5.7%
<b>Total Rate</b>	<b>\$1.121</b>	<b>100.0%</b>
<b>Frederick County</b>		
General Tax	\$0.936	88.0%
Fire District Tax (Urban)	0.128	12.0%
<b>Total Rate</b>	<b>\$1.064</b>	<b>100.0%</b>
<b>Howard County</b>		
General Tax	\$1.0140	85.2%
Fire District Tax	0.176	14.8%
<b>Total Rate</b>	<b>\$1.1900</b>	<b>100.0%</b>
<b>Montgomery County</b>		
General Tax	\$0.724	72.2%
Transit Tax	0.048	4.8%
Fire District Tax	0.134	13.4%
M-NCPPC	0.073	7.3%
Recreation Tax	0.021	2.1%
Storm Drainage Tax	0.003	0.3%
<b>Total Rate</b>	<b>\$1.003</b>	<b>100.0%</b>
<b>Prince George's County</b>		
General Tax	\$0.960	72.8%
M-NCPPC	0.279	21.2%
WSTC	0.026	2.0%
Stormwater	0.054	4.1%
<b>Total Rate</b>	<b>\$1.319</b>	<b>100.0%</b>

Source: Department of Legislative Services

## Appendix 4 County Assessable Base Measures for Fiscal 2013

<u>County</u>	<u>Population</u> <u>July 1, 2011</u>	<u>Assessable Base</u> <u>(\$ in Thousands)</u>	<u>Per Capita</u> <u>Assessable Base</u>	<u>Assessable</u> <u>Base Growth</u>	<u>County</u>	<u>Per Capita</u> <u>Assessable Base</u>	<u>County</u>	<u>Assessable</u> <u>Base Growth</u>
Allegany	74,692	\$3,962,462	\$53,051	-1.3%	1. Worcester	\$306,190	1. Allegany	-1.3%
Anne Arundel	544,403	76,293,860	140,142	-4.1%	2. Talbot	245,164	2. Howard	-2.2%
Baltimore City	619,493	35,123,385	56,697	-6.4%	3. Queen Anne's	166,095	3. Harford	-2.4%
Baltimore	809,941	80,753,433	99,703	-4.2%	4. Montgomery	164,960	4. Montgomery	-2.7%
Calvert	89,256	12,553,694	140,648	-5.8%	5. Garrett	160,886	5. Garrett	-2.9%
Caroline	32,985	2,810,316	85,200	-4.7%	6. Kent	151,370	6. St. Mary's	-3.0%
Carroll	167,288	18,861,958	112,751	-4.2%	7. Howard	150,098	7. Kent	-3.1%
Cecil	101,694	9,967,470	98,014	-5.6%	8. Calvert	140,648	8. Washington	-3.3%
Charles	149,130	16,693,575	111,940	-4.7%	9. Anne Arundel	140,142	9. Dorchester	-3.4%
Dorchester	32,640	3,119,674	95,578	-3.4%	10. St. Mary's	113,422	10. Anne Arundel	-4.1%
Frederick	236,745	25,893,046	109,371	-4.6%	11. Carroll	112,751	11. Carroll	-4.2%
Garrett	30,051	4,834,793	160,886	-2.9%	12. Charles	111,940	12. Talbot	-4.2%
Harford	246,489	26,819,052	108,804	-2.4%	13. Frederick	109,371	13. Baltimore	-4.2%
Howard	293,142	44,000,081	150,098	-2.2%	14. Harford	108,804	14. Frederick	-4.6%
Kent	20,204	3,058,279	151,370	-3.1%	15. Baltimore	99,703	15. Charles	-4.7%
Montgomery	989,794	163,276,868	164,960	-2.7%	16. Cecil	98,014	16. Caroline	-4.7%
Prince George's	871,233	79,257,050	90,971	-7.9%	17. Dorchester	95,578	17. Cecil	-5.6%
Queen Anne's	48,354	8,031,355	166,095	-6.0%	18. Prince George's	90,971	18. Calvert	-5.8%
St. Mary's	107,484	12,191,008	113,422	-3.0%	19. Washington	86,523	19. Queen Anne's	-6.0%
Somerset	26,339	1,483,073	56,307	-12.1%	20. Caroline	85,200	20. Wicomico	-6.3%
Talbot	38,025	9,322,352	245,164	-4.2%	21. Wicomico	67,226	21. Baltimore City	-6.4%
Washington	148,203	12,823,001	86,523	-3.3%	22. Baltimore City	56,697	22. Prince George's	-7.9%
Wicomico	99,190	6,668,152	67,226	-6.3%	23. Somerset	56,307	23. Worcester	-10.0%
Worcester	51,514	15,773,058	306,190	-10.0%	24. Allegany	53,051	24. Somerset	-12.1%
<b>Statewide</b>	<b>5,828,289</b>	<b>\$673,570,993</b>	<b>\$115,569</b>	<b>-4.4%</b>				

Source: Department of Legislative Services

**Appendix 5**  
**County Assessable Base for Fiscal 2013 and Percent Change from Fiscal 2012**  
**(\$ in Thousands)**

<b>County</b>	<b>Subject to Real Property</b>	<b>Percent Change</b>	<b>Subject to Personal Property</b>	<b>Percent Change</b>	<b>Total Property</b>	<b>Percent Change</b>
Allegany	\$3,624,666	-1.3%	\$337,796	-1.4%	\$3,962,462	-1.3%
Anne Arundel	73,705,939	-4.3%	2,587,921	-0.1%	76,293,860	-4.1%
Baltimore City	33,133,118	-6.7%	1,990,267	-1.5%	35,123,385	-6.4%
Baltimore	77,724,847	-4.4%	3,028,586	-0.4%	80,753,433	-4.2%
Calvert	11,678,345	-6.0%	875,349	-3.7%	12,553,694	-5.8%
Caroline	2,705,356	-5.0%	104,960	2.1%	2,810,316	-4.7%
Carroll	18,269,133	-4.6%	592,825	10.9%	18,861,958	-4.2%
Cecil	9,586,913	-5.8%	380,557	-0.3%	9,967,470	-5.6%
Charles	15,809,223	-5.3%	884,352	6.1%	16,693,575	-4.7%
Dorchester	3,001,778	-3.4%	117,896	-2.9%	3,119,674	-3.4%
Frederick	25,596,214	-4.7%	296,832	1.4%	25,893,046	-4.6%
Garrett	4,636,840	-4.3%	197,953	50.0%	4,834,793	-2.9%
Harford	25,821,377	-2.2%	997,675	-6.0%	26,819,052	-2.4%
Howard	42,459,610	-2.2%	1,540,471	-1.3%	44,000,081	-2.2%
Kent	3,021,073	-3.2%	37,206	6.5%	3,058,279	-3.1%
Montgomery	159,469,990	-2.7%	3,806,878	-2.6%	163,276,868	-2.7%
Prince George's	76,308,869	-8.1%	2,948,181	-0.4%	79,257,050	-7.9%
Queen Anne's	7,967,775	-6.1%	63,580	9.9%	8,031,355	-6.0%
St. Mary's	11,937,100	-3.0%	253,908	-2.5%	12,191,008	-3.0%
Somerset	1,410,142	-12.7%	72,931	1.5%	1,483,073	-12.1%
Talbot	9,261,945	-4.2%	60,407	4.5%	9,322,352	-4.2%
Washington	12,297,143	-3.4%	525,858	-2.9%	12,823,001	-3.3%
Wicomico	6,171,303	-6.9%	496,849	1.9%	6,668,152	-6.3%
Worcester	15,454,392	-10.3%	318,666	2.7%	15,773,058	-10.0%
<b>Statewide</b>	<b>\$651,053,089</b>	<b>-4.5%</b>	<b>\$22,517,904</b>	<b>-0.4%</b>	<b>\$673,570,993</b>	<b>-4.4%</b>

Source: State Department of Assessments and Taxation

**Appendix 6**  
**One-cent Yield in County Real Property Tax Rates**  
**Fiscal 2011-2015**

<b>County</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
Allegany	\$352,000	\$360,300	\$359,100	\$356,900	\$350,600
Anne Arundel	6,184,300	6,157,300	6,161,100	6,244,300	6,449,300
Baltimore City	3,085,500	3,024,700	2,895,800	3,012,400	2,979,800
Baltimore	7,089,700	7,129,800	7,186,900	7,187,200	7,231,400
Calvert	1,263,600	1,230,100	1,165,900	1,124,000	1,082,900
Caroline	271,400	266,100	261,100	250,100	237,200
Carroll	1,854,600	1,854,500	1,809,400	1,790,200	1,796,300
Cecil	1,029,000	1,005,500	956,900	927,200	917,100
Charles	1,675,600	1,635,600	1,576,200	1,530,900	1,504,400
Dorchester	303,300	280,000	288,200	282,200	273,700
Frederick	2,659,000	2,595,200	2,538,800	2,507,700	2,474,300
Garrett	463,500	467,500	451,800	452,900	455,500
Harford	2,620,300	2,610,300	2,577,100	2,452,500	2,303,800
Howard	3,953,100	3,988,800	4,052,800	4,134,300	4,140,900
Kent	284,700	284,800	282,600	266,700	256,100
Montgomery	17,005,300	16,313,400	15,923,600	16,094,800	16,513,000
Prince George's	7,489,000	7,209,300	7,093,900	6,982,700	6,887,300
Queen Anne's	767,300	762,400	756,600	743,200	715,000
St. Mary's	1,101,100	1,118,000	1,122,500	1,130,100	1,139,700
Somerset	162,700	158,700	140,100	136,200	132,400
Talbot	739,400	730,100	720,600	700,800	722,400
Washington	1,251,700	1,225,100	1,212,500	1,181,100	1,170,800
Wicomico	693,400	657,600	615,900	580,600	546,200
Worcester	1,683,700	1,650,100	1,493,400	1,448,800	1,531,300

Source: Department of Legislative Services