

SENATE BILL 886

Q2

5lr2977
CF HB 664

By: **Senators Hough and Young**

Introduced and read first time: March 2, 2015

Assigned to: Rules

Re-referred to: Budget and Taxation, March 6, 2015

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 20, 2015

CHAPTER _____

1 AN ACT concerning

2 **Frederick County Property Tax Fairness Act of 2015**
3 **(Strengthening Frederick Municipalities)**

4 FOR the purpose of removing Frederick County from the list of counties required to grant
5 certain property tax setoffs to municipal corporations within the county in a certain
6 manner; requiring the governing body of Frederick County to annually meet and
7 discuss with the governing body of each municipal corporation in the county the
8 county property tax rate to be set for assessments of property in the municipal
9 corporation; requiring Frederick County to grant a property tax setoff to a municipal
10 corporation in accordance with a formula agreed to by the county and the municipal
11 corporation if the municipal corporation performs services or programs instead of
12 similar county services or programs; requiring, if the county and the municipal
13 corporation fail to reach an agreement concerning the formula, the county to grant a
14 tax setoff in accordance with the formula used in the preceding taxable year;
15 requiring the county and a municipal corporation to agree to phase in any increase
16 in a property tax setoff above a certain level over a certain period of time under
17 certain circumstances; requiring the county to conduct a study of services or
18 programs provided by the municipal corporations instead of county services or
19 programs before property tax setoffs for a certain fiscal year may be established;
20 defining a certain term; providing for the effective dates of this Act; providing for the
21 application of certain provisions of this Act; and generally relating to property tax
22 setoffs in Frederick County.

23 BY repealing and reenacting, with amendments,

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Article – Tax – Property
 2 Section 6–305
 3 Annotated Code of Maryland
 4 (2012 Replacement Volume and 2014 Supplement)

5 BY adding to
 6 Article – Tax – Property
 7 Section 6–305.1
 8 Annotated Code of Maryland
 9 (2012 Replacement Volume and 2014 Supplement)

10 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
 11 That the Laws of Maryland read as follows:

12 **Article – Tax – Property**

13 6–305.

14 (a) In this section, “tax setoff” means:

15 (1) the difference between the general county property tax rate and the
 16 property tax rate that is set for assessments of property in a municipal corporation; or

17 (2) a payment to a municipal corporation to aid the municipal corporation
 18 in funding services or programs that are similar to county services or programs.

19 (b) This section applies only in:

20 (1) Allegany County;

21 (2) Anne Arundel County;

22 (3) Baltimore County;

23 (4) [Frederick County;

24 (5)] Garrett County;

25 [(6)] (5) Harford County;

26 [(7)] (6) Howard County;

27 [(8)] (7) Montgomery County; and

28 [(9)] (8) Prince George’s County.

1 (c) The governing body of the county shall meet and discuss with the governing
2 body of any municipal corporation in the county the county property tax rate to be set for
3 assessments of property in the municipal corporation as provided in this section. After the
4 meeting if it can be demonstrated that a municipal corporation performs services or
5 programs instead of similar county services or programs, the governing body of the county
6 shall grant a tax setoff to the municipal corporation.

7 (d) [Except as provided in subsection (k) of this section, in] IN determining the
8 county property tax rate to be set for assessments of property in a municipal corporation,
9 the governing body of the county shall consider:

10 (1) the services and programs that are performed by the municipal
11 corporation instead of similar county services and programs; and

12 (2) the extent that the similar services and programs are funded by
13 property tax revenues.

14 (e) The county property tax rate for assessments of property located in a
15 municipal corporation is not required to be:

16 (1) the same as the rate for property located in other municipal
17 corporations in the county; or

18 (2) the same as the rate set in a prior year.

19 (f) (1) At least 180 days before the date that the annual county budget is
20 required to be approved, any municipal corporation in the county that desires that a tax
21 setoff be provided shall submit to the county a proposal that states the desired level of
22 property tax setoff for the next fiscal year.

23 (2) (i) A request submitted under paragraph (1) of this subsection shall
24 be accompanied by:

25 1. a description of the scope and nature of the services or
26 programs provided by the municipal corporation instead of similar services or programs
27 provided by the county; and

28 2. financial records and other documentation regarding
29 municipal revenues and expenditures.

30 (ii) The materials submitted under subparagraph (i) of this
31 paragraph shall provide sufficient detail for an assessment of the similar services or
32 programs.

33 (3) After receiving a proposal from a municipal corporation requesting a
34 tax setoff under this subsection, the governing body of the county shall promptly submit to

1 the municipal corporation financial records and other documentation regarding county
2 revenues and expenditures.

3 (g) (1) At least 90 days before the date that the annual county budget is
4 required to be approved, the county and any municipal corporation submitting a tax setoff
5 request under subsection (f) of this section shall designate appropriate policy and fiscal
6 officers or representatives to meet and discuss the nature of the tax setoff request, relevant
7 financial information of the county and municipal corporation, and the scope and nature of
8 services provided by both entities.

9 (2) A meeting held under paragraph (1) of this subsection may be held by
10 the county representatives jointly with representatives from more than one municipal
11 corporation.

12 (3) (i) The county officers or representatives may request from the
13 municipal corporation officers or representatives additional information that may
14 reasonably be needed to assess the tax setoff.

15 (ii) The municipal corporation officers or representatives shall
16 provide the additional information expeditiously.

17 (h) (1) At or before the time the proposed county budget is released to the
18 public, the county commissioners, the county executive of a charter county, or the county
19 council of a charter county without a county executive shall submit a statement of intent
20 to each municipal corporation that has requested a tax setoff.

21 (2) The statement of intent shall contain:

22 (i) an explanation of the level of the proposed tax setoff;

23 (ii) a description of the information or process used to determine the
24 level of the proposed tax setoff; and

25 (iii) an indication that, before the budget is enacted, appropriate
26 officials or representatives of the municipal corporation are entitled to appear before the
27 county governing body to discuss or contest the level of the proposed tax setoff.

28 (i) Representatives of each municipal corporation in the county requesting a tax
29 setoff shall be afforded an opportunity to testify before the county governing body during
30 normally scheduled hearings on the county's proposed budget.

31 (j) Notwithstanding the provisions of subsections (d), (f), and (g) of this section:

32 (1) a county and one or more municipal corporations may enter into an
33 agreement setting different terms or timing for negotiations, calculations, or approval of a
34 tax setoff; and

1 (2) a county may grant a tax setoff to a municipal corporation that does not
2 make a request in the fashion described in this section.

3 [(k) In Frederick County, for the taxable years that begin July 1, 2011, and July
4 1, 2012, the governing body of Frederick County shall grant a tax setoff to a municipal
5 corporation in an amount that:

6 (1) is no less than the tax setoff granted to that municipal corporation for
7 the preceding taxable year; and

8 (2) increases by the same percentage by which the county property tax rate
9 exceeds the constant yield tax rate.]

10 **6-305.1.**

11 **(A) IN THIS SECTION, "TAX SETOFF" MEANS:**

12 **(1) THE DIFFERENCE BETWEEN THE GENERAL COUNTY PROPERTY**
13 **TAX RATE AND THE PROPERTY TAX RATE THAT IS SET FOR ASSESSMENTS OF**
14 **PROPERTY IN A MUNICIPAL CORPORATION; OR**

15 **(2) A PAYMENT TO A MUNICIPAL CORPORATION TO AID THE**
16 **MUNICIPAL CORPORATION IN FUNDING SERVICES OR PROGRAMS THAT ARE SIMILAR**
17 **TO COUNTY SERVICES OR PROGRAMS.**

18 **(B) (1) THE GOVERNING BODY OF FREDERICK COUNTY SHALL**
19 **ANNUALLY MEET AND DISCUSS WITH THE GOVERNING BODY OF EACH MUNICIPAL**
20 **CORPORATION IN THE COUNTY THE COUNTY PROPERTY TAX RATE TO BE SET FOR**
21 **ASSESSMENTS OF PROPERTY IN THE MUNICIPAL CORPORATION.**

22 **(2) (i) AFTER THE MEETING IF IT CAN BE DEMONSTRATED THAT A**
23 **MUNICIPAL CORPORATION PERFORMS SERVICES OR PROGRAMS INSTEAD OF**
24 **SIMILAR COUNTY SERVICES OR PROGRAMS, THE GOVERNING BODY OF FREDERICK**
25 **COUNTY SHALL GRANT A TAX SETOFF TO THE MUNICIPAL CORPORATION IN**
26 **ACCORDANCE WITH A FORMULA AGREED TO BY THE COUNTY AND THE MUNICIPAL**
27 **CORPORATION.**

28 **(ii) IF THE GOVERNING BODY OF FREDERICK COUNTY AND THE**
29 **GOVERNING BODY OF A MUNICIPAL CORPORATION FAIL TO REACH AN AGREEMENT**
30 **CONCERNING THE FORMULA BY WHICH A TAX SETOFF IS TO BE CALCULATED, THE**
31 **GOVERNING BODY OF FREDERICK COUNTY SHALL GRANT A TAX SETOFF IN**
32 **ACCORDANCE WITH THE FORMULA USED DURING THE PRECEDING TAXABLE YEAR.**

33 **(3) FREDERICK COUNTY AND A MUNICIPAL CORPORATION SHALL**
34 **AGREE TO PHASE IN OVER A PERIOD OF 3 TO 5 YEARS, BEGINNING ON JULY 1, 2016,**

1 ANY INCREASE IN THE LEVEL OF A TAX SETOFF ABOVE THE LEVEL OF THE TAX
2 SETOFF GRANTED IN THE FISCAL YEAR BEGINNING JULY 1, 2015, IF THE INCREASE
3 IS ATTRIBUTABLE TO THE FUNDING OF NEW SERVICES OR PROGRAMS.

4 SECTION 2. AND BE IT FURTHER ENACTED, That before the amount of a
5 property tax setoff may be established for the fiscal year beginning July 1, 2016, in
6 accordance with § 6–305.1 of the Tax – Property Article as enacted by this Act, Frederick
7 County shall conduct a detailed study of the scope and nature of the individual services or
8 programs provided by each municipal corporation in the county instead of similar services
9 or programs provided by the county.

10 SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall take
11 effect October 1, 2015, and shall be applicable to the fiscal year beginning July 1, 2016, and
12 to each subsequent fiscal year thereafter.

13 SECTION 4. AND BE IT FURTHER ENACTED, That, except as provided in Section
14 3 of this Act, this Act shall take effect July 1, 2015.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.