

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 681
Ways and Means

(Prince George's County Delegation)

Budget and Taxation

Prince George's County - Municipal Tax Setoff - Report
PG 417-15

This bill requires Prince George’s County to complete a report on property tax setoffs in the county by January 31 of each year. The report must include (1) the amount of the tax setoff granted to each municipality in the current fiscal year; (2) a detailed description of the scope and nature of the individual services or programs provided by each municipality instead of similar services or programs provided by the county; and (3) a detailed description of the methodology used by the county to determine the amount of the tax setoffs, including any formulas. The report must be made available on request to municipalities in the county and submitted to the Prince George’s County House Delegation and the Prince George’s County Senators.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: None.

Local Effect: None. The bill’s requirements can be handled with Prince George’s County’s existing budgeted resources.

Small Business Effect: None.

Analysis

Current Law: In accordance with Joint Resolution 31 of 1978, the Department of Legislative Services (DLS) conducts an annual review of local tax setoff programs for municipalities. This review utilizes a written survey followed by telephone calls when

necessary. Assessable base and tax rate data maintained by the State Department of Assessments and Taxation are also used in this analysis.

Background: Property tax setoffs are meant to compensate for double taxation of municipal taxpayers occurring when both municipal and county property taxes are levied to fund similar services. Therefore, counties compensate municipal taxpayers with property tax setoffs through a tax rate differential or through a tax rebate. A tax rate differential results in a lower county property tax rate within the boundaries of a municipality, whereas a tax rebate is a direct payment to a municipality for providing the services or programs.

Section 6-305 of the Tax-Property Article requires that Allegany, Anne Arundel, Baltimore, Frederick, Garrett, Harford, Howard, Montgomery, and Prince George's counties meet annually with the governing bodies of municipalities to discuss the property tax rate to be set for assessments of property in the municipality. If it is demonstrated that a municipality performs services or programs in lieu of similar county services and programs, the governing body of the county *must impose* the county property tax on assessments of property in the municipality at a rate that is less than the general county property tax rate.

Section 6-306 governs the procedure for the setting of a tax differential in the other counties. The governing bodies of the counties are required to meet annually with governing bodies of municipalities to discuss the property tax rate to be set for assessments of property in the municipality. If it is demonstrated that the municipality performs services or programs in lieu of similar county services, the county *may establish* a county property tax rate for property in the municipality that is lower than the general county property tax rate.

Alternatively, both of the above sections provide the counties with the option of making a payment to the municipality to aid the municipality in funding municipal services or programs that are similar to county services or programs. This is commonly known as a tax rebate.

In Maryland, 18 of the 23 counties had property tax setoffs for municipalities in their jurisdictions in fiscal 2014. Of the 5 remaining counties, Baltimore and Howard counties have no municipalities, while Queen Anne's, Wicomico, and Worcester counties chose not to establish tax setoffs. In fiscal 2014, tax differentials and rebates totaled \$101.5 million, a 2% decrease compared to the prior year. Local funding for tax differentials and rebates in fiscal 2014 ranged from \$50,471 in St. Mary's County to \$27.5 million in Prince George's County. On a per capita basis, local funding ranged from less than \$1 in St. Mary's County to \$95 in Talbot County. **Exhibit 1** shows the amount of tax differentials and tax rebates for fiscal 2014.

Property Tax Setoffs in Prince George's County

Prince George's County provided its 27 municipalities with tax differentials valued at an estimated \$26.8 million and tax rebates totaling \$0.7 million in fiscal 2014 (**Exhibit 2**). 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 municipal 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.

More detailed information on property tax setoffs for Maryland counties and municipalities can be found in the [Property Tax Set-offs](#) report. A copy of the report can be found on the DLS website.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 2, 2015
min/hlb

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Exhibit 1
Tax Differentials and Tax Rebates
Fiscal 2014

County	Tax Differential	Tax Rebate	Total
Allegany	\$2,204,011	\$0	\$2,204,011
Anne Arundel	24,131,339	0	24,131,339
Baltimore City	N/A	N/A	N/A
Baltimore	N/A	N/A	N/A
Calvert	3,368,991	0	3,368,991
Caroline	473,645	0	473,645
Carroll	0	2,520,690	2,520,690
Cecil	0	760,340	760,340
Charles	1,108,014	0	1,108,014
Dorchester	398,799	6,050	404,849
Frederick	8,542,062	4,011,173	12,553,235
Garrett	70,422	237,000	307,422
Harford	6,550,444	3,554,158	10,104,602
Howard	N/A	N/A	N/A
Kent	0	64,446	64,446
Montgomery	0	7,776,718	7,776,718
Prince George's	26,818,044	651,147	27,469,191
Queen Anne's	0	0	0
St. Mary's	0	50,471	50,471
Somerset	0	315,000	315,000
Talbot	3,588,941	0	3,588,941
Washington	4,320,810	0	4,320,810
Wicomico	0	0	0
Worcester	0	0	0
Total	\$81,575,522	\$19,947,193	\$101,522,715

N/A: indicates the jurisdiction has no municipalities.

Source: Department of Legislative Services

Exhibit 2
Tax Differentials and Tax Rebates in Prince George's County
Fiscal 2014

<u>Municipality</u>	<u>Real Property Tax Rate Differential</u>	<u>Personal Property Tax Rate Differential</u>	<u>Differential Amount</u>	<u>Tax Rebate</u>	<u>Total</u>
Berwyn Heights	\$0.1380	\$0.3030	\$410,701	\$8,231	\$418,932
Bladensburg	0.1260	0.2760	513,142	22,486	535,628
Bowie	0.1400	0.3070	8,940,707	149,877	9,090,584
Brentwood	0.0650	0.1470	129,687	8,379	138,066
Capitol Heights	0.1260	0.2770	327,480	10,723	338,203
Cheverly	0.1360	0.2990	727,571	18,839	746,410
College Park	0.0250	0.0570	549,461	83,290	632,751
Colmar Manor	0.1040	0.2290	78,082	3,483	81,565
Cottage City	0.1140	0.2510	96,759	3,446	100,205
District Heights	0.1340	0.2950	406,750	20,607	427,357
Eagle Harbor	0.0030	0.0060	228	153	381
Edmonston	0.1180	0.2590	185,545	3,498	189,043
Fairmount Heights	0.0690	0.1500	60,000	3,908	63,908
Forest Heights	0.0680	0.1530	110,926	7,997	118,923
Glenarden	0.1170	0.2570	410,929	16,371	427,300
Greenbelt	0.1510	0.3330	2,919,342	64,151	2,983,493
Hyattsville	0.1470	0.3230	2,701,634	48,082	2,749,716
Landover Hills	0.1370	0.3020	168,912	5,644	174,556
Laurel	0.1770	0.3880	4,761,008	68,781	4,829,789
Morningside	0.0910	0.1980	74,729	5,518	80,247
Mount Rainier	0.1460	0.3200	506,005	22,179	528,184
New Carrollton	0.1230	0.2700	816,147	33,467	849,614
North Brentwood	0.0050	0.0120	2,245	1,428	3,673
Riverdale Park	0.1500	0.3290	960,776	17,335	978,111
Seat Pleasant	0.1380	0.3030	351,570	14,943	366,513
University Park	0.1360	0.2990	443,657	6,254	449,911
Upper Marlboro	0.1120	0.2470	164,052	2,077	166,129
Total			\$26,818,044	\$651,147	\$27,469,191