

Department of Legislative Services
2010 Session

FISCAL AND POLICY NOTE

House Bill 565
Ways and Means

(Prince George's County Delegation)

Prince George's County - City of Laurel - Tax Rebate for Local Bus Service
PG 406-10

This bill requires Prince George's County to provide 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, 2010, and applies to taxable years beginning after June 30, 2010.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County expenditures and City of Laurel revenues will increase by approximately \$690,300 beginning in FY 2011. **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 2009, Prince George's County provided its 27 municipalities with tax differentials valued at an estimated \$27.6 million and tax rebates totaling \$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 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.

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 15.93 cent reduction in the county property tax rate within the City of Laurel. In addition, the county provides an additional 20.5 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 \$0.955 instead of \$1.319. This represents a 36.4 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 nonmunicipal 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 2009

<u>Municipality</u>	<u>Real Property Tax Rate Differential</u>	<u>Personal Property Tax Rate Differential</u>	<u>Differential Amount</u>	<u>Tax Rebate Amount</u>	<u>Total Amount</u>
Berwyn Heights	\$0.1630	\$0.3820	\$671,209	\$8,231	\$679,440
Bladensburg	0.1720	0.4040	838,891	22,486	861,377
Bowie	0.0510	0.1180	3,815,345	162,210	3,977,555
Brentwood	0.0240	0.0550	57,082	8,379	65,461
Capitol Heights	0.1480	0.3480	469,673	10,723	480,396
Cheverly	0.1550	0.3650	1,230,563	20,883	1,251,446
College Park	0.0150	0.0340	387,956	81,797	469,753
Colmar Manor	0.0390	0.0920	46,436	3,483	49,919
Cottage City	0.1500	0.3520	175,641	3,446	179,087
District Heights	0.1580	0.3700	703,208	22,500	725,708
Eagle Harbor	0.0030	0.0070	231	143	374
Edmonston	0.1570	0.3680	288,369	3,343	291,712
Fairmount Heights	0.0880	0.2070	104,154	3,908	108,062
Forest Heights	0.1190	0.2790	265,465	7,997	273,462
Glenarden	0.1350	0.3170	594,874	16,371	611,245
Greenbelt	0.1760	0.4130	4,210,729	70,970	4,281,699
Hyattsville	0.1720	0.4040	3,562,747	48,023	3,610,770
Landover Hills	0.1630	0.3840	215,640	5,644	221,284
Laurel	0.2040	0.4790	5,644,743	67,200	5,711,943
Morningside	0.1490	0.3490	177,071	4,251	181,322
Mount Rainier	0.1700	0.3980	754,993	22,179	777,172
New Carrollton	0.0980	0.2290	965,332	33,467	998,799
North Brentwood	0.0100	0.0230	5,569	1,428	6,997
Riverdale Park	0.1740	0.4090	1,074,606	17,335	1,091,941
Seat Pleasant	0.1580	0.3720	500,915	14,942	515,857
University Park	0.1590	0.3740	617,065	6,254	623,319
Upper Marlboro	0.1260	0.2950	192,898	2,077	194,975
Total			\$27,571,404	\$669,670	\$28,241,074

Exhibit 2
County and Municipal Property Tax Rates in Laurel, Maryland
Fiscal 2010

	<u>Countywide</u>	<u>City of Laurel</u>	<u>Difference</u>
General Tax	\$0.9600	\$0.7550	-\$0.2050
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>0.0605</i>	<i>0.0592</i>
Subtotal	0.2790	0.1197	-0.1593
WSTC	0.0260	0.0260	0.0000
Stormwater	0.0540	0.0540	0.0000
Total County Rate	\$1.3190	\$0.9547	-\$0.3643
Municipal Rate	\$0.0000	\$0.7100	\$0.7100
Combined Rate	\$1.3190	\$1.6647	\$0.3457

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 City of Laurel revenues by approximately \$690,300 beginning in fiscal 2011. 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 (WSTC). 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 \$690,300 beginning in fiscal 2011, as shown in **Exhibit 3**.

Exhibit 3
Tax Rebate for the City of Laurel

Assessable Base	\$2,655,164,500
WSTC Tax Rate	\$0.026
Rebate Amount	\$690,342

Additional Information

Prior Introductions: SB 709 of 2009 received a hearing in the Senate Budget and Taxation Committee but no further action was taken on the bill.

Cross File: SB 379 (Senator Rosapepe) - Budget and Taxation.

Information Source(s): City of Laurel, Maryland Department of Transportation, Department of Legislative Services

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mpc/hlb

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