

**Department of Legislative Services**  
Maryland General Assembly  
2010 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 828

(Senator Madaleno)

Budget and Taxation

Ways and Means

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

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This bill exempts certain financing costs for transportation improvements from a county tax limitation that would apply to ad valorem or special taxing districts. County tax limitation is defined as a provision of a county charter that limits the maximum property tax rate that a county may impose or the growth rate of county property tax revenues.

The bill authorizes county governments to enact a law to provide for the issuance of tax exempt bonds to finance the costs of transportation improvements for which the principal, interest, and any premium must be paid from and secured by special taxes collected by the county in a special taxing district. Bonds issued under this manner are special obligations of the county and do not constitute a general obligation debt of the county or a pledge of the county's full faith and credit or general taxing power. These types of bonds may be sold in any manner, either at public or private sale and on terms as the county deems best.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Potential revenue increase in Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico counties. County expenditures are not directly affected.

**Small Business Effect:** None.

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## Analysis

**Current Law:** 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 (M-NCPPC) and the Washington Suburban Transit Commission (WSTC), 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 charter limit on property taxes in Montgomery County was strengthened at the November 2008 general election, when county voters approved by a narrow margin an amendment to the county charter (Question B) that requires a unanimous vote of all nine county council members in order to override the county's property tax limitation provision. Prior to this amendment, the property tax limitation could be overridden by an affirmative vote of seven of the nine council members. Since 1990, when county voters approved the charter limit on property taxes, the county council has set tax rates that exceeded the revenue limit four times.

**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 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.

**Local Fiscal Effect:** The bill would allow special taxing districts in Anne Arundel, Montgomery, Prince George’s, Talbot, and Wicomico counties 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.

*Potential Impact in Montgomery County*

Currently, Montgomery County has five countywide special district taxes that it imposes, as well as several targeted special taxing districts. **Exhibit 1** shows the tax rates and estimated revenues for each for fiscal 2010.

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**Exhibit 1**  
**Montgomery County Special Taxing Districts**  
**Fiscal 2010**

<b>Special Taxing District</b>	<b>Tax Rates</b>	<b>Property Tax Revenues</b>
Transit Tax	\$0.037	\$65,880,660
Fire District Tax	0.105	186,994,930
M-NCPPC	0.069	104,679,600
Recreation Tax	0.019	29,384,640
Storm Drainage Tax	0.003	4,484,190
Bethesda Parking District <sup>1</sup>	0.180	3,972,070
Montgomery Hills Parking District <sup>1</sup>	0.240	132,820
Silver Spring Parking District <sup>1</sup>	0.280	6,314,870
Wheaton Parking District <sup>1</sup>	0.240	429,640
Bethesda Urban District	0.012	485,780
Silver Spring Urban District	0.024	681,730
Wheaton Urban District	0.030	174,030
Bradley Noise Abatement	0.080	31,390
Cabin John Noise Abatement	0.080	9,360
<b>Total</b>		<b>\$403,655,710</b>

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

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Under current law, revenue from these taxes is subject to the county’s revenue limitation. Pursuant to the bill, these special tax rates could be raised so that the resulting revenue could exceed the county’s revenue cap, provided it is used for transportation related improvements. The county advises that it is considering establishing special taxing districts in the White Flint and Wheaton areas of the county to finance development projects. Under the bill, revenue from these special taxing districts could be in excess of the county’s revenue cap, whereas under current law, the county would potentially have to reduce revenues from other sources in order to remain within the revenue cap if these special taxing districts are established.

*Potential Impact in Prince George’s County*

Prince George’s County imposes three countywide special district 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**

<b>Special Taxing District</b>	<b>FY 2010 Tax Rates</b>	<b>FY 2010 Revenues</b>
M-NCPPC	0.279	\$265,875,600
WSTC	0.026	116,823,100
Stormwater	0.054	55,749,400
<b>Total</b>		<b>\$438,448,100</b>

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*Potential Impact in Other Charter Counties*

Wicomico County indicates that there are two special taxing district levies in the county – Tax Ditches and the Urban Services Fund. There is a Tax Ditch Association in the county that levies a fee for “tax ditches” – ditches in rural areas used for drainage. The 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 2009 the Urban Services Fund generated \$401,600 in revenue and Tax Ditches generated \$96,300. Both of these funds are excluded from the county’s revenue cap.

Anne Arundel and Talbot counties currently do not impose special property tax rates.

*Bond Issuance*

Issuing bonds for transportation improvement does not affect county finances as the debt service will be paid from taxes generated in each special taxing district where bonds are issued.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Baltimore, Charles, Frederick, Montgomery, Somerset, and Wicomico counties; State Department of Assessments and Taxation; Comptroller's Office; Maryland Association of Counties; Maryland Department of Transportation; Department of Legislative Services

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