

**M E M O R A N D U M**

TO: County Council

FROM:  Michael Faden, Senior Legislative Attorney

SUBJECT: **Introduction:** Resolution to set amount of property tax credit for income tax offset

The attached resolution to set the amount of a property tax credit for income tax offset at \$690 is scheduled to be introduced by the Council President at the request of the County Executive. A public hearing is tentatively scheduled, along with other revenue items, for May 5 at 7:30 p.m.

State and County laws<sup>1</sup> authorize the Council each year by resolution to grant a property tax credit to owner-occupied principal residences “to offset in whole or in part increases in the county ... income tax revenues resulting from a county income tax rate in excess of 2.6%.” The Council sets the amount of the credit, which the law does not otherwise limit. Taxpayers do not have to apply; the credit is automatically subtracted from each eligible taxpayer’s bill.

County Code §52-11B(c) requires the Council to hold a public hearing, with at least 15 days notice, before adopting this kind of resolution. §52-11B(c) provides that this resolution can be adopted “no later than the date the Council sets the property tax rates.”

As Councilmembers will recall, this credit is one of 3 available mechanisms to reach or approach the Charter limit on real property tax revenues; the others are reducing the property tax rate, and expanding the County homeowner tax credit (circuitbreaker). For purposes of the Charter limit, **the critical number is total real property tax revenue**, sometimes referred to as the tax *yield*. Lowering the real property tax *rate* is one way to limit the yield, but it is not the only way. For example, this and other property tax credits would lower property tax revenue independent of the tax rate. This illustrates the distinction between *cutting the rate* and *cutting the revenue*, which is what the Charter calls for.

This credit was first allowed in 1998, when the amount was set at \$50 per household, and again in FY 2006, 2007, 2008, and 2009, when the credit was \$116, \$223, \$613, and \$579 per household, respectively. For more information on the effect of this credit on various property taxpayers, see the Council staff budget overview memo (Item 10) on today’s agenda.

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<sup>1</sup>See County Code §52-11B; Maryland Code Tax-Property Article §9-221.

MEMORANDUM

March 18, 2009

TO: Phil Andrews, President, County Council

FROM: Isiah Leggett, County Executive

SUBJECT: Property Tax Credit for Income Tax Offset

The purpose of this memorandum is to transmit for introduction by the County Council a resolution to authorize the Property Tax Credit for Income Tax Offset that was part of my FY10 Recommended Operating Budget. If approved by the County Council, this will provide a \$690 property tax credit for each owner-occupied dwelling in the County. The credit maintains my commitment to propose a budget within the Charter Limit for FY10 and supports a progressive property tax structure in the County. I urge the Council to review and adopt this resolution as part of its deliberations on the FY10 Operating Budget.

IL:ae

Attachment

c: Timothy L. Firestine, Chief Administrative Officer  
Joseph F. Beach, Director, Office of Management and Budget  
Jennifer E. Barrett, Director, Department of Finance  
Kathleen Boucher, Assistant Chief Administrative Officer

Resolution No: \_\_\_\_\_

Introduced: \_\_\_\_\_

Adopted: \_\_\_\_\_

COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND

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By: Council President at the Request of the County Executive

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SUBJECT: Property Tax Credit for Income Tax Offset

Background

1. County Code Section 52-11B authorizes the County Council by resolution to set the rate or amount of the property tax credit to offset certain income tax revenues resulting from a County income tax rate higher than 2.6%.
2. The County Executive has recommended the amount of property tax credit under County Code Section 52-11B for the tax year beginning July 1, 2009 to be \$690 for each eligible taxpayer.
3. A public hearing was held on ( ).

Action

The County Council for Montgomery County, Maryland, approves the following action:

The amount of the property tax credit under County Code Section 52-11B for the tax year beginning July 1, 2009, is \$690 for each eligible taxpayer.

*This is a correct copy of Council action.*

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Linda M. Lauer, Clerk of the Council