

MEMORANDUM

TO: County Council

FROM: *JK* Michael Faden, Senior Legislative Attorney

SUBJECT: **Public Hearing:** Expedited Bill 32-09, Taxation – Impact Taxes – Inflation Adjustment – Temporary Suspension

Expedited Bill 32-09, Taxation – Impact Taxes – Inflation Adjustment – Temporary Suspension, sponsored by Councilmember Elrich, was introduced on July 28. A Management and Fiscal Policy Committee worksession is tentatively scheduled for September 21 at 2 p.m.

County Code §§52-57(f) and 52-90(f) require the Director of Finance to adjust the impact tax rates every other year to reflect the increase or decrease in the construction cost index in the previous 2 years. Expedited Bill 32-09 would roll back the increase in the tax rate that took effect on July 1, 2009, to provide temporary relief to applicants for building permits over the next 2 years.

The national economic downturn has significantly reduced the number of applications for building permits in the County. Under current law, the Director of Finance was required to adjust the impact tax rate effective July 1, 2009 to reflect the increase in the construction cost index over calendar years 2007 and 2008. This Bill would roll back this increase in the impact tax rate for 2009 and require the next scheduled adjustment in 2011 to reflect the increase or decrease in the construction cost index for the 4 full calendar years before July 1, 2011. This Bill does not change any impact tax rate adjustments to be made after 2011.

<u>This packet contains:</u>	<u>Circle #</u>
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Expedited Bill No. 32-09
Concerning: Taxation – Impact Taxes –
Inflation Adjustment - Temporary
Suspension
Revised: July 23, 2009 Draft No. 4
Introduced: July 28, 2009
Expires: January 28, 2011
Enacted: _____
Executive: _____
Effective: July 1, 2009
Sunset Date: _____
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By: Councilmember Elrich

AN EXPEDITED ACT to:

- (1) temporarily suspend the requirement to adjust certain impact tax rates for inflation;
and
- (2) generally amend the law governing impact tax rates.

By amending
Laws of Montgomery County 2009

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

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

1 **The Laws of Montgomery County 2009 are amended as follows:**

2 **Sec. 1. Temporary Suspension of Impact Tax Rate Adjustments.**

3 Notwithstanding any provision of County Code Section 52-57(f) or 52-90(f) to
4 the contrary:

- 5 (a) the Director of Finance must not adjust the rates of the development
6 impact taxes for transportation or public school improvements to reflect
7 inflation in construction costs, effective July 1, 2009;
- 8 (b) any impact tax rate adjustment that was published in 2009 as required
9 by either Section 52-57(f) or 52-90(f) must not take effect as scheduled
10 on July 1, 2009; and
- 11 (c) any tax rate adjustment that is scheduled to take effect on July 1, 2011,
12 must reflect the annual average increase or decrease in a published
13 construction cost index specified by regulation for the 4 full calendar
14 years immediately preceding July 1, 2011, except to the extent the
15 underlying rates have been modified by any amendment to Chapter 52
16 which takes effect after July 1, 2009.

17 **Sec. 2. Expedited Effective Date; Applicability.**

18 The Council declares that this legislation is necessary for the immediate
19 protection of the public interest. This Act takes effect as of July 1, 2009. This Act
20 applies only to the impact tax rate adjustment that was scheduled to take effect on
21 July 1, 2009 and the impact tax rate adjustment scheduled to take effect on July 1,
22 2011, as required by County Code Sections 52-57(f) and 52-90(f).

23 *Approved:*

24 _____
Philip M. Andrews, President, County Council

_____ Date

LEGISLATIVE REQUEST REPORT

Expedited Bill 32-09

Taxation – Impact Taxes – Inflation Adjustment – Temporary Suspension

DESCRIPTION:	County Code §§52-57(f) and 52-90(f) require the Director of Finance to adjust the impact tax rates every other year to reflect the increase or decrease in the construction cost index to reflect the changes in the cost of transportation and public school capital improvements. The Bill would roll back the increase that took effect on July 1, 2009 to provide temporary relief to applicants for building permits over the next 2 years.
PROBLEM:	The national economic downturn has significantly reduced the number of applications for new building permits in the County. Under current law, the Director of Finance was required to adjust the impact tax rate to reflect the increase in the construction cost index over calendar years 2007 and 2008. This increase in the impact tax rate is likely to further reduce applications for building permits in the County. This Bill would roll back this increase in the impact tax rate for 2009 and require the next scheduled adjustment to reflect the increase or decrease in the construction cost index for the 4 full calendar years immediately preceding July 1, 2011.
GOALS AND OBJECTIVES:	Provide a temporary stimulus for building permit applications in the County.
COORDINATION:	Department of Finance
FISCAL IMPACT:	To be requested.
ECONOMIC IMPACT:	To be requested.
EVALUATION:	To be requested.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Michael Faden, Senior Legislative Attorney, Robert H. Drummer, Legislative Attorney
APPLICATION WITHIN MUNICIPALITIES:	To be researched.
PENALTIES:	Not applicable.