

MEMORANDUM

TO: County Council

FROM:  Michael Faden, Senior Legislative Attorney

SUBJECT: **Public Hearing:** 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 \$693 was introduced by the Council President at the request of the County Executive on March 23. A Management and Fiscal Policy Committee worksession is tentatively scheduled for May 6.

State and County laws¹ 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, 2009, and 2010 when the credit was \$116, \$223, \$613, \$579, and \$690 per household, respectively.

F:\LAW\TOPICS\Taxes\Property\2010\Public Hearing Memo.Doc

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

MEMORANDUM

March 16, 2010

TO: Nancy Floreen, 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 FY11 Recommended Operating Budget. If approved by the County Council, this will provide a \$693 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 FY11 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 FY11 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: March 23, 2010
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

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, 2010 to be \$693 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, 2010, is \$693 for each eligible taxpayer.

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council