

M A R Y L A N D

Montgomery Weighs One-Time Tax Credit

Property Revenue Law Tests Council

By TIM CRAIG
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Montgomery County Council members, struggling to reach a budget compromise this week, are considering offering residents a one-time credit on their tax bills instead of a substantially lower property tax rate.

The proposal to give credits to a quarter-million households — commercial and rental properties would be excluded — is the latest in a series of ideas the council is considering to comply with a voter-imposed charter limit on how much the county can collect through property taxes.

Council members have not specified the size of the credit. A document prepared by council analysts says that a \$200-per-household credit, combined with a proposal by County Executive Douglas M. Duncan (D) for a 2-cent cut in the property tax rate of \$1.06 per \$100 assessed value, could be used to reach the charter limit.

Council members said that the credits, which could be paid for by cuts in Duncan's \$3.6 billion budget and a possible increase in the energy tax, are a more progressive way to address tax issues because everyone receives the same benefit regardless of income.

"I love Dan Snyder and the Redskins, but I am not sure he should get the same proportionate tax relief as a senior citizen on a fixed income in Wheaton, and that is the beauty of a property tax credit," Steven A. Silverman (D-At Large) said.

But anti-tax activists say that the council, which is feeling pressure from homeowners disgruntled over rising assessments, is "grasping at straws" because it can't stomach more significant tax cuts.

"It's just a phony ploy because they don't have the political will to cut the rate permanently in light of those huge increases in assessments," said Jeff Hooke, president of the Maryland Tax Policy Foundation.

If the property tax rate were reduced permanently, the county

would be forgoing millions of dollars in revenue in future years. A tax credit would apply only to 2006 property tax bills.

Duncan, whose is proposing tax credits for the elderly and those on fixed incomes, also derided the proposal, saying it could lead to residents paying higher taxes next year. While the property tax credits would expire after one year, the higher energy tax used to pay for them this year would likely remain on the books, he said.

"They are going to raise taxes permanently to give one-time tax relief," Duncan said. "This is not the year to be raising taxes. . . . If they are interested in cutting property taxes, then cut the budget and cut the tax rate, but don't do one-time relief."

In the 1990s, the General Assembly gave local governments the authority to offer property tax credits as way of lessening the impact of local income taxes. In 1998, the Montgomery County Council gave each household a \$50 credit, under the law.

"It has more of an impact on those at the lower end than it does at the higher end," said council member Marilyn Praisner (D-Eastern County), adding that she wants to "aggressively" use it again this year to lower taxes.

The charter amendment limits the county to collecting property taxes equal to the previous year's total, plus inflation and the value of new construction. Because of higher assessments, Duncan's proposed 2006 budget, including his plan to cut the tax rate by 2 cents, exceeds the cap by about \$67 million. To adhere to the cap, the council would have to reduce the property tax rate by 7 cents per \$100 in assessed value.

To achieve that rate, the council would need to cut Duncan's budget by about \$70 million or find additional revenue to make up for lost property tax revenue. After weeks of hearings, the council has identified about \$30 million in potential cuts and has all but given up on reaching the charter limit through cuts alone.