

# New tax bills favor lower-price homes

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The changes that will kick in with next month's property tax bills will have a greater effect on Montgomery County homes at the lower end of the value scale.

And that is exactly what the County Council planned.

When it approved its 2006 budget last month, the council cut the property tax by 4 cents to about 95.3 cents per \$100 of assessed value and gave a \$116 rebate to every owner-occupied home.

Because the rebate was flat, the cut had a greater percentage effect on lower valued homes.

"It's a progressive program because the impact is going to be greater the lower your tax bill is," said Councilwoman Marilyn J. Praisner (D-Dist. 4) of Calverton.

The county had a similar rebate once before, in 1998, but it was only \$50 and received very little fanfare.

Despite the rebate and rate cut, chances are your tax bill will increase over last year, which is a symptom of the several moving parts that exist inside a property tax bill.

A property tax bill starts with the assessment, which the state Department of Assessments and Taxation re-evaluates every three years. One third of homes are re-assessed every year, and last year's homes saw their new assessment increase 69 percent. The year before, the increase was 55 percent.

The new assessment is phased in over three years, and by state law, an assessment can increase no more

than 10 percent a year. So a house re-assessed for \$300,000 this year was worth about \$270,000 last year.

Had the council done nothing, the typical tax bill likely would have increased 10 percent.

But the rate cut and rebate together mean the increases in property tax bills are relatively small. The owner of a home assessed at \$300,000 likely will see the tax bill increase about 1 percent.

For a \$500,000 house, that bill will increase about 2.7 percent. And for a \$700,000 house, that bill rises about 3.5 percent.

For weeks The Gazette has been reporting the Montgomery County tax rate is about \$1.05 per \$100 of assessed value. That rate factors in the personal property tax, which is paid by businesses but not homeowners.

County officials tell us that for homeowners, a more accurate rate is 99.5 cents per \$100 of assessed value. With the 4-cent reduction, the rate will be 95.3 cents per \$100 of assessed value with the start of fiscal 2006, which begins July 1.

You don't need to be a rocket scientist to note that the reduction is 4.2 cents, not 4 cents.

That's because the county calculates "weighted rates" that are based on the proportion of assessments and distribution of rates by fund, said David Platt, chief economist in the county's Finance Department.

As a result, the 4-cent rate cut turns into a 4.2-cent rate cut.

Maybe you do need to be a rocket scientist.

## Tax bills

In today's hot housing market, the assessments of nearly all Montgomery homes are rising at the maximum, 10 percent a year. The County Council's 4-cent tax reduction and \$116 tax rebate means the tax bills on homes with lower values will rise much more slowly than those of more expensive homes. Had the council made no changes, tax bills would increase as the assessments increase.

Home Value	2004	2005	
		No change	Rate cut & rebate
	<b>\$272,727</b>		
Tax Rate	\$0.9951	\$0.9951	\$0.9526
Rebate	\$0	\$0	\$116
Tax bill	\$2,714	\$2,985	\$2,742
Percentage increase		10.0%	1.0%
	<b>\$454,545</b>		
Tax Rate	\$0.9951	\$0.9951	\$0.9526
Rebate	\$0	\$0	\$116
Tax bill	\$4,523	\$4,976	\$4,647
Percentage increase		10.0%	2.7%
	<b>\$636,364</b>		
Tax Rate	\$0.9951	\$0.9951	\$0.9526
Rebate	\$0	\$0	\$116
Tax bill	\$6,332	\$6,966	\$6,552
Percentage increase		10.0%	3.5%