

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

TO: Management and Fiscal Policy Committee

FROM: *MF* Michael Faden, Senior Legislative Attorney

SUBJECT: **Worksession:** 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 public hearing was held on April 27 at which the only speaker, OMB Director Joe Beach, supported the resolution because "The Executive believes that continuing the property tax credit and increasing the amount in FY11 is the best way to ensure fairness and greater progressivity in the property tax rate."

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

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<sup>1</sup>See 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

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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, 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.*

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Linda M. Lauer, Clerk of the Council

**Resolution to Set Amount of Property Tax Credit for Income Tax Offset****Public Hearing****April 27, 2010**

Good afternoon, I am Joseph Beach, Director of the Office of Management and Budget, and I am here to testify on behalf of County Executive Isiah Leggett in support of the Resolution to set the amount of the Property Tax Credit for Income Tax Offset.

The County Executive recommends a Property Tax Credit of \$693 for each owner-occupied dwelling in the County as part of his Recommended FY11 Operating Budget. The Property Tax Credit is set at this level in order to maintain property tax revenues within the Charter limit, modify the impact of the property tax on owner occupied residential tax payers, and overall maintain a more progressive structure in the County's real property tax bills.

The County Council approved a property tax credit several times in the past including most recently \$579 in FY09, and \$690 in FY10.

The Executive believes that continuing the property tax credit and increasing the amount in FY11 is the best way to ensure fairness and greater progressivity in the property tax rate. We strongly encourage the County Council to approve this resolution when they approve the FY11 operating budget.