A deceived, unfulfilled and unforgotten promise

The Council should put an end to the Energy Tax. It’s a real pain on residents’ utility bills, and it’s also been a sneaky way of blocking jobs, businesses, and making retirees flee Montgomery County to more 'tax averse' states. Originally proposed as a temporary measure by former County Executive Isiah Leggett, the Energy tax has been in effect for over a dozen years past it's promised ending. And it is because of that deception that the Energy tax remains unpopular with the unfulfilled promise to "sunset" this tax in 2012. Not only has the promise not been kept, but the revenue from the tax has taken on a life of its own. Only two council members, including current County Executive Elrich, are still on the council after when the tax was first implemented. Most of the council members who supported or voted against reducing the tax have since either been voted out or reached term limits.

In a 2019 memo to the council, the county’s own analysts stated that the Energy tax had in just seven short years from when it was supposed to cease ballooned to be the County's third largest source of revenue! Directly proportional to consumption, influenced by weather, economic indicators, and public policies to ostensibly to reduce fuel consumption, the collection of the Energy Tax was chosen to be "PEPCO" who in turn, passed the taxed expenses directly onto its Montogomery County customers. Ironically or not surprisingly, it was also revealed in 2019 that a high-ranking Montgomery County official had over several years been embezzling over $6.7 million from taxpayer coffers for his personal expenses and gambling debts. The perpetrator was subsequently convicted but the Montgomery County taxpayers’ funds were irrecoverable.

The Council's own analyst was also transparent in revealing that the history of the fuel energy tax revenue tracked, two fiscal crises facing state and local governments. In FY03, receipts from the Energy tax amounted to $24 million. The following year, in the face of a revenue shortfall the tax was tripled. In 2010, when governments nationwide once again faced severe revenue shortfalls, former County Executive Leggett proposed a significant rate increase for his recommended FY 11 budget and subsequently revised that number twice, ultimately recommending that rates be set to double fuel energy tax revenue. The council ultimately decided to place less of the burden of increasing rates on businesses than former County Executive Leggett had recommended, but agreed as to the extent to which Energy tax revenue would close the budget gap. When all the Council's wrangling debate ended, revenue from the tax in FY12 was $243 million or 10 times the FY03 amount!

From fiscal year 2011 to fiscal year 2015, the Energy tax was a central focus in discussions regarding the county’s fiscal and economic conditions. The council made modifications to the Executive's plan to mitigate the burden of the tax increase on businesses. As the Council's own experts footnoted in their memo to the Council: "To help ensure a balance close to the FY10 budget, which was under great pressure, the council raised residential rates by 323% and non-residential rates by 118% for the May 20th to June 30th, 2010! The Energy Tax was being used like a cash faucet whenever discretionary spending was needed.

Initially, former County Executive Leggett had recommended that the fuel and tax increases would sunset after fiscal year 2012. However, Leggett reneged and did not propose any reductions to fuel energy taxes in his recommended budget for fiscal year 2013. Leggett's rationale was that the Energy tax was more comprehensive than either property or income taxes, as it included taxes on energy usage of institutions and facilities, such as the federal government, that otherwise did not pay any taxes to the county. Perhaps it’s because of Leggett's flawed rational and the Council following suit, that for a decade now it is plain to see throughout Montgomery County and northbound on Rt 270, empty buildings abound and “lease available” signs on brutalist commercial buildings harkening to images straight out of North Korea. Quite a contrasting sight of businesses throughout Northern Virginia.

But wait, there is more deception, the council responded by reducing the increased Energy tax by 10% ($11.4 million) for fiscal year 2013. Subsequently, the council reduced the increase by another 10% for fiscal year 2014 and by 7% more for fiscal year 2015. Unfortunately, the council may have gotten tired as no other reductions or adjustments were made for fiscal years 2016, 2017, or 2018. Apparently, the Council has decided to steer clear of the awkwardness of talking about the Energy Tax. Instead, they’ve tied it to the Consumer Price Index (CPI), which means it’s basically on autopilot, going higher but never ending.

Over the last 13 years of the Energy Tax has scared away, businesses, jobs, the Federal Government and retirees alike. Whether or not anyone is eligible for an exemption/credit from the Energy Tax conjures up opaque corrupt backroom deals. It is time that the Energy Tax is finally put to rest as was originally promised.