

# **Municipal Tax Duplication and Revenue Sharing in Montgomery County MD**

**OLO Report 2013-6**

**Gov't Operations and Fiscal Policy Committee  
July 15, 2013**

# Council Assignment

- **Conduct literature/research review**
- **Research other counties' programs**
- **Examine County's program history**
- **Solicit stakeholder observations**
- **Seek strategies to improve fairness**

# **Double taxation arises when...**

- 1) A county and municipality provide similar services both financed by property taxes, and**
- 2) A county does not provide those services within municipal limits because the city already does.**

**An MTD program transfers value from a county government to either municipal taxpayers or their governments to address double taxation inequities.**

**Without an MTD program, municipal property owners would pay municipal and county taxes for services they only receive from their municipality.**

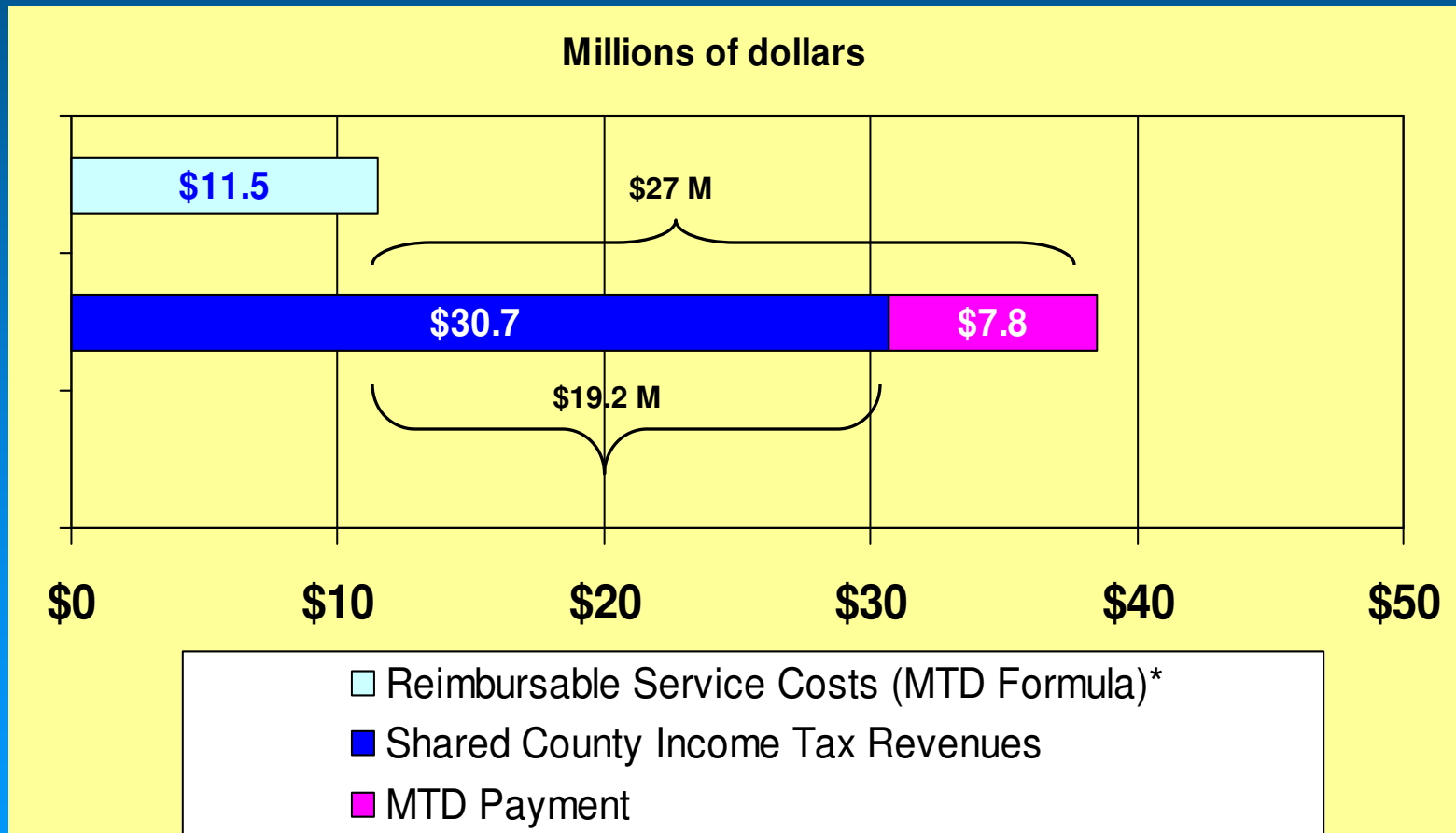
# The MTD Legal Framework

- State law mandates a County tax set-off.
- State law leaves key design issues, e.g. tax set-off valuation and payment methods, to local officials.
- County's basis for valuing its tax set-offs is the **full cost of net service costs**.
- County's payment method, **a municipal rebate**, returns value to municipal governments.

# The State's Service Structure: County/Municipal Expenditures

Service Type	County General Fund	Municipal Operations Funds	Total
County only	\$1.8 billion		\$1.8 billion
<u>Shared</u>	<u>\$585.7 M</u>	<u>\$105.5 M</u>	<u>\$691.2 M</u>
Reimbursable	\$198.4 M	\$11.3 M	\$210.0 M
Non-Reimbursable	\$387.3 M	\$94.1 M	\$481.4 M
Grand Total	\$2.4 billion	\$105.5 M	\$2.5 billion

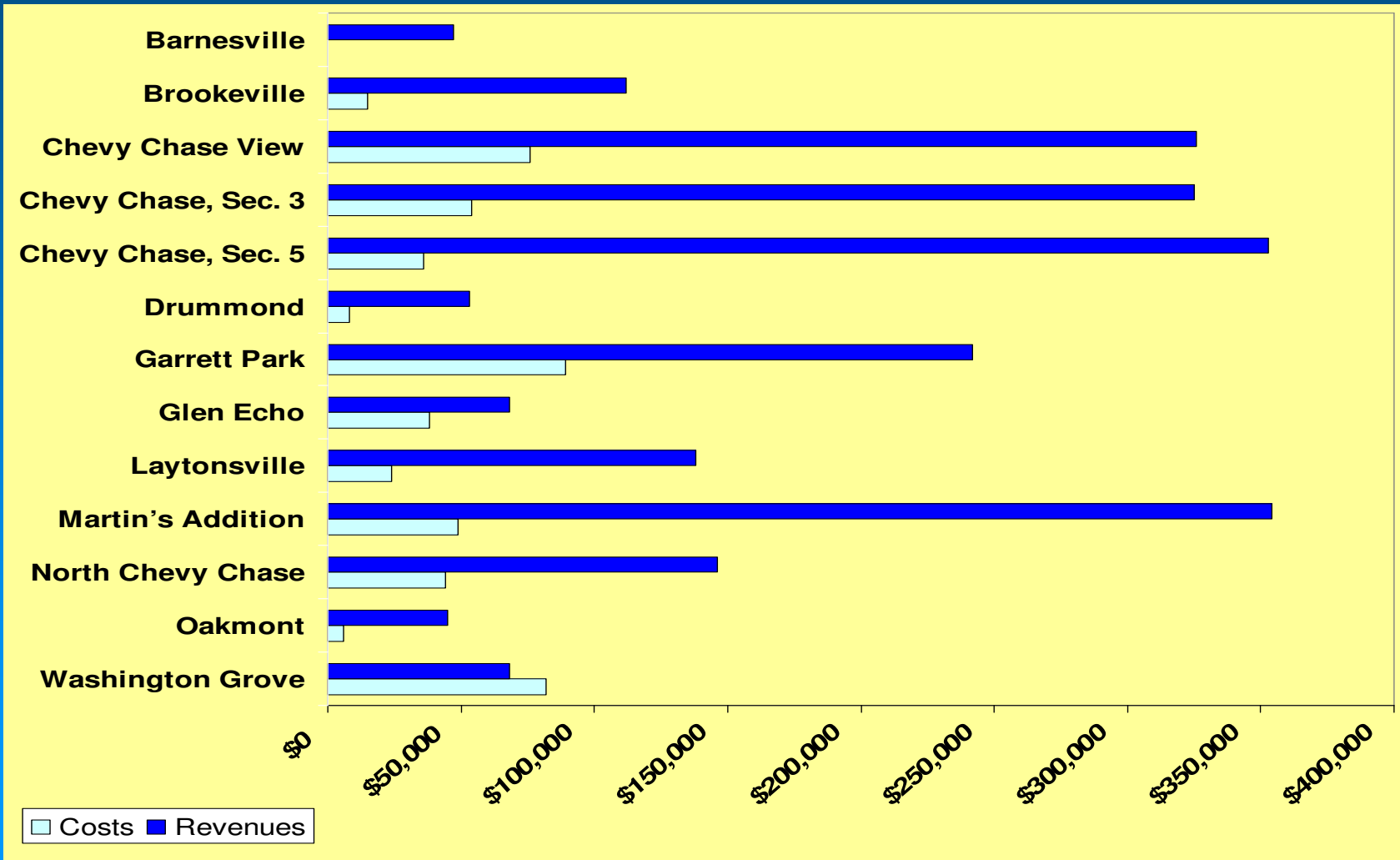
# Reimbursable Service Costs (MTD Formula) and MTD Payments + Shared County Income Tax Revenues (All municipalities)



\*Total includes park maintenance costs

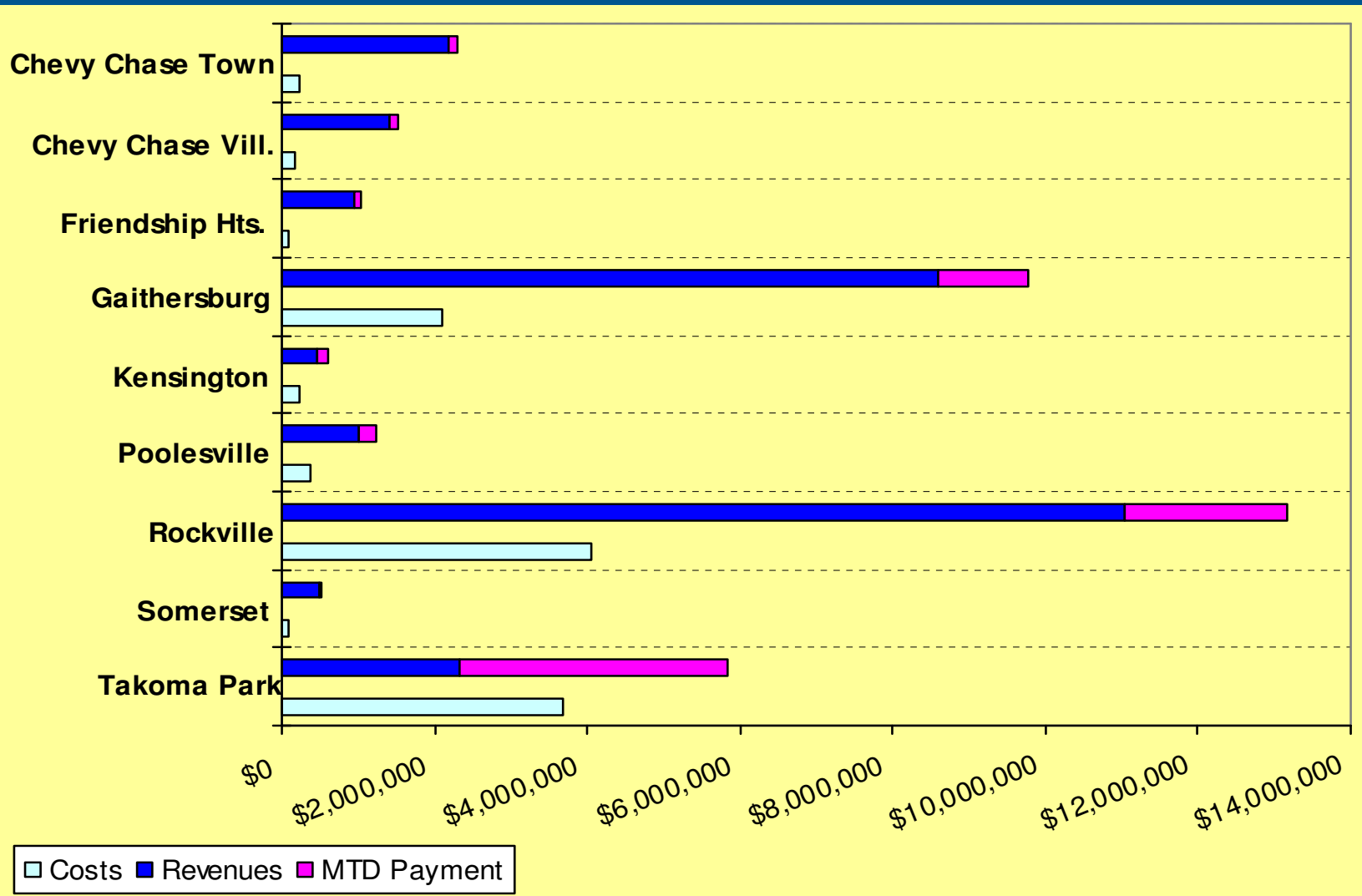
# County Shared Income Tax Revenues and Reimbursable Service Costs (100%)

(13 municipalities with Shared County Income Tax Revenues < \$400,000)



# Shared County Income Revenues + MTD Payments and Reimbursable Service Costs

(9 municipalities with Shared County Income Tax Revenues > \$400,000)





## **B. Montgomery County's MTD Program**

- **County law and governing documents are confusing**
- **County's basis for valuing the tax set-off is not clear**
- **County's formulas are outdated, lack uniformity and their results are ignored**
- **County's municipal stakeholders perceive program has an inherently political element**

## **C. Other Counties' MTD Programs**

- **Anne Arundel and Prince George's counties set property tax differentials**
- **Frederick County's program uses a full cost basis and a cap to value its tax set-off**
- **Frederick County allows its municipalities to choose a rebate or a tax differential**

## D. OLO Recommendations

**Recommendation #1:** Implement revisions to strengthen the fairness, uniformity and sustainability of the County's MTD Program

- Re-establish property tax revenue as the basis for valuing MTD payments
- Institute a uniform approach to cost of service determinations that relies on unit cost factors and readily available data
- Recognize partial service levels of effort and re-instate police patrol service payments
- Implement other revisions to better align the MTD program and the County's fiscal service structure

# D. OLO Recommendations

## **Recommendation #2:** Establish and fund a Municipal Grant Program

- Provide grants to close funding gaps between reimbursable service costs (valued at 100%) and shared county income tax revenue
- Provide grants to fund pilot projects or one-time non-recurring expenses
- Cap the program amount and require a municipal match