



House Bill 690

Property Tax Fairness Act of 2015 (Strengthening Maryland Municipalities)

MACo Position: **OPPOSE**

To: House Ways and Means

Date: March 4, 2014

From: Michael Sanderson

The Maryland Association of Counties **OPPOSES** HB 690. This bill would impose a one-sided mandate on each county and municipal government to negotiate property tax setoffs to the complete satisfaction of both parties. The untenable requirements of the bill, along with the statewide mandate of essentially local functions, draws county concern.

A property tax setoff arises when a county and municipal government recognize that the municipal government provides a particular service within the municipal bounds that is paid, in part, by county property taxes. When such a local agreement exists, the county may elect to reduce the county tax rate within the municipal area, or maybe furnish the municipal government with a rebate. While Maryland laws vary (based on county-by-county legislation), the essence of this arrangement is a local recognition of the full range of services – both overlapping and entirely county-provided – that serve the residents within and outside the municipal boundaries. This is a local function.

HB 690 would overturn decades of state law, derived through local deliberation and each county's delegation support, and place all counties into one strict law, making the tax setoff mandatory instead of optional. MACo disagrees with this direction, and urges the Committee to recognize the local differences that have given rise to the current laws geared to serve each area. Historically, the principal substantive difference between sections 6-305 and 6-306 in the current law is the ability for a municipal government to file a lawsuit against a county government. HB 690 would push each county into the section of law empowering such legal actions.

More specifically, HB 690 dictates that each county "shall grant a tax setoff to the municipal corporation in accordance with a formula agreed to by the county and the municipal corporation." (page 2, lines 24-26) This statutory dictate effectively requires a county to meet the full request of the municipal government, as no resolution short of that would reach the "agreed to" standard in the bill.

Maryland counties face a wave of financial pressures and funding responsibilities, in many cases vastly exceeding those of municipal governments. More than half a typical county budget is directed to education – an area for which municipal governments bear no responsibility. Under state laws, a county’s school funding is an absolute mandate – and added diversion to offset municipal services simply undermines counties’ ability to live up to this high expectation. A new state law mandating more municipal tax setoffs simply shrinks the county ability to meet these needs.

Further, county governments engage in a wide range of in-kind services, grants, and other agreements that help serve municipal residents. These arrangements are not captured in any summary of tax setoffs, but represent material benefit to municipalities just the same. Under HB 690, many of these agreements and arrangements would surely be undermined as county resources were compromised.

HB 690 mandates each local government into a one-sided negotiation, and mandates a uniform process where local negotiations have served residents for decades. For these reasons, MACo urges the Committee to issue an **UNFAVORABLE** report on HB 690.