

**COUNTY COUNCIL OF PRINCE GEORGE'S COUNTY, MARYLAND**

**1997 Legislative Session**

Bill No. CB-75-1997

Chapter No. 56

Proposed and Presented by Council Member Estepp

Introduced by Council Members Estepp, Del Giudice and Scott

Co-Sponsors

Date of Introduction September 16, 1997

**BILL**

AN ACT concerning

**Municipal Tax Differential**

For the purpose of altering the manner in which the municipal tax differential is calculated so as to provide for an equitable and fair process; providing for annual review of the process; providing for arbitration when disagreements cannot be resolved through negotiation; providing for increased dissemination of information regarding the municipal differential to increase public awareness; providing certain regulatory powers; providing certain reporting requirements; providing for the effective date of this Act; and generally relating to the municipal tax differential.

BY repealing:

SUBTITLE 10. FINANCE AND TAXATION.

Sections 10-186,

The Prince George's County Code

(1995 Edition, 1996 Supplement).

BY repealing and reenacting with amendments:

SUBTITLE 10. FINANCE AND TAXATION.

Sections 10-183, 10-184, and 10-185,

The Prince George's County Code

(1995 Edition, 1996 Supplement).

BY adding:

SUBTITLE 10. FINANCE AND TAXATION.

Sections 10-186, 10-186.01, and 10-186.02,

The Prince George's County Code

(1995 Edition, 1996 Supplement).

SECTION 1. BE IT ENACTED by the County Council of Prince George's County, Maryland, that Section 10-186 of the Prince George's County Code be and the same is hereby repealed:

**SUBTITLE 10. FINANCE AND TAXATION.**

**DIVISION 6. MUNICIPAL TAX DIFFERENTIAL.**

**Sec. 10-186. [Municipal grant.**

(a) By August 1 of each year following a fiscal year in which County energy taxes were paid by a municipality the municipality may submit documentation to the County, subject to verification by the County, of the amount of County energy taxes paid by the municipality.

(b) On or before the following November 15 the County shall pay to the municipality a grant in the amount of the County energy taxes paid by the municipality in the preceding fiscal year as established pursuant to Subsection (a) hereof.]

SECTION 2. BE IT FURTHER ENACTED that Sections 10-183, 10-184, and 10-185 of the Prince George's County Code be and the same are hereby repealed and reenacted with the following amendments:

**SUBTITLE 10. FINANCE AND TAXATION.**

**DIVISION 6. MUNICIPAL TAX DIFFERENTIAL.**

**Sec. 10-183. Definitions.**

(a) For purposes of this Division the following words and phrases have the meaning assigned below, except in those instances in which the context clearly indicates a different meaning:

(1) **County-wide property assessable base** shall [be as set forth in the County's Approved Current Expense Budget.] mean the total County assessable tax base, including all municipal corporations, as used in the County's latest adopted budget.

(2) **Degree of services or programs** shall mean the level of eligible services or

programs performed by the municipal corporation instead of the County.

(3) Director shall mean the Director of the Office of Management and Budget.

[(2)] (4) **Eligible services or programs** shall mean those services or programs which are [provided] performed by a [municipality] municipal corporation, and are wholly or partially funded from property tax revenues of the municipal corporation, instead of similar County services or programs when the similar County services or programs are wholly or partially funded from property tax revenues in the County's general fund and the services or programs are generally performed by the County in the unincorporated areas of the County. [in lieu of County services.]

[(3)] **Municipal property assessable base** shall be that figure calculated by the County from the most currently available assessment data.]

[(4)] (5) **[Municipality] Municipal Corporation** shall mean a[n incorporated] city or town [which holds a Charter from the State of Maryland and] incorporated pursuant to Article XI-E of the Maryland Constitution which is partially or entirely within the boundaries of Prince George's County.

[(5)] (6) **Net county service or program cost** shall mean the cost for a service or program as reflected in the County's latest adopted Current Expense Budget and support documents increased by the amount of indirect costs, including fringe benefits, [allocated] applicable to that service or program and reduced by any fees, service charges, grants or other revenue directly attributable to that service or program.

(7) **Property tax** shall mean County general fund property tax revenues as stated in the County's latest adopted budget.

**Sec. 10-184. Municipal Tax Differential established.**

[(a)] In fiscal Year 1985 and each year thereafter, the County Council shall levy against all property located within each municipality a tax rate that shall be lower than the tax rate levied against property situated in unincorporated areas of the County in accordance with the procedures set forth in this Division.

(b) The difference between the tax rates for unincorporated areas and the several

municipalities shall be calculated and established as follows:

- (1) For each eligible service, the County shall compute the net County service cost.
- (2) The County shall convert the net County service cost into a property tax rate equivalent by dividing the net County service cost by the Countywide property assessable base.
- (3) The County shall provide to each municipality by October 1 of each year a copy of the County's adopted Current Expense Budget for the fiscal year which began the preceding July 1, which documents shall be used in determining the tax differential for the ensuing fiscal year.
- (4) The County shall also provide to each municipality a standardized report form listing each potentially eligible service.
- (5) Each municipality shall identify, in ten percent (10%) increments, the degree to which it is providing eligible services to its citizens in lieu of the County providing those services. Each municipality shall complete and return the standardized report to the County by November 1 of each year.
- (6) Each municipality's report shall be subject to verification by the County, and may be subject to negotiation between the County and the municipality.
- (7) If, by December 15, the County and the municipality are unable to agree on the degree to which the municipality is providing one or more eligible service(s) in lieu of the County providing the eligible service(s), the matter(s) in dispute shall be submitted to an Advisory Arbitration Panel as established in Section 10-185 of this Division.
- (8) For each eligible service, the degree of service provided by the municipality times the property tax rate equivalent, times the municipality's property assessable base, shall equal the unadjusted value of the municipality's eligible service.
- (9) The total of the unadjusted values for all eligible services provided by all municipalities shall be the unadjusted value of Part One of the tax differential program.
- (10) The total municipal share of local income tax revenues for all municipalities as projected using the County income tax estimate in the County budget shall be subtracted from

the unadjusted value of the tax differential program. The balance represents the adjusted value of Part One of the tax differential program. The adjusted value of Part One of the tax differential program shall be allocated among the municipalities in direct proportion to each municipality's share of the total unadjusted value of all municipal eligible services.

(11) Each municipality's share of the value of Part One of the tax differential program shall be converted to a property tax rate equivalent by dividing that value by the municipality's property assessable base.

(12) For Part Two of the differential program, the County shall convert each municipal tax differential grant amount provided in Fiscal Year 1984 to a property municipal tax rate equivalent by dividing each municipality's Fiscal Year 1984 grant amount by that municipality's property assessable base for Fiscal Year 1984. The resulting property tax rate equivalent shall be the constant differential rate to be provided as Part Two of the differential formula.

(13) For each municipality, the sum of the differential tax rates as determined under Part One and Part Two of the formula shall be the tax rate differential for the ensuing fiscal year.

(14) The total amount of the tax differential provided in this Division shall be phased in over a two-year period, beginning in Fiscal Year 1985, as determined by the County. The amount to be phased in for Fiscal Year 1985 shall not be less than the amount determined under Part Two, plus at least some portion of the amount determined under Part One.

(15) For Fiscal Years 1985 and 1986 only, those municipalities with charter tax rate limitations, and whose Fiscal Year 1984 tax rate per One Hundred Dollars (\$100.00) assessed valuation is not ten cents (\$0.10) or more below their tax rate limit, shall be provided the tax rate differential determined under Part One, including for Fiscal Year 1985, the same relative portion of the amount determined under Part One for all municipalities, and shall be provided a grant in an amount determined under Part Two in lieu of a tax differential determined under Part Two.

(16) Notwithstanding the provisions of Section 10-184(b)(13), above, for Fiscal Year 1994 and each year thereafter, if the computation of the tax rate differential for any municipality results in a tax rate differential that is more than ten percent (10%) less than the tax rate differential for the immediately preceding fiscal year, the tax rate differential shall be adjusted to a tax rate differential that is not more than ten percent (10%) less than the tax rate differential for the immediately preceding fiscal year. If the computation of the tax rate differential for any municipality results in a tax rate differential that is more than ten percent (10%) greater than the tax rate differential for the immediately preceding year or the tax rate differential for Fiscal Year 1992, whichever tax rate differential is greater, the tax rate differential shall be adjusted to a tax rate differential that is not more than ten percent (10%) greater than the tax rate differential for the immediately preceding year or the tax rate differential for Fiscal Year 1992, whichever is greater. In computing the tax rate differential, increases or decreases that result from a change in the amount of eligible service provided by a municipality shall be factored out of the computation before applying the ten percent (10%) limitation.

(17) When a County agency is created, restructured, consolidated, or eliminated, or the funding sources for County services or the allocation of those funds are changed, upon final action instituting such change, the Office of Management and Budget shall determine whether the change will or will not affect municipal tax differential rates. If any such changes will negatively affect municipal tax differential rates, the Office of Management and Budget shall meet with municipal officials in a timely manner to explain and discuss the impacts on the municipal tax differential rates. Following the meeting with municipal officials, the Office of Management and Budget shall submit a written statement to the County Executive explaining the anticipated impact on municipal tax differential rates. Upon receipt of the statement, the County Executive shall notify the governing body of each municipal corporation situated in whole or in part within Prince George's County. At the request of one or more municipalities, the elected officials of those municipalities shall be invited to meet and confer with the County Executive or the County Executive's designee within not less than

thirty (30) days nor more than ninety (90) days following the request for a meeting. At the meeting, the County Executive's proposal for adjustment to the tax differential program, if any, shall be presented to the municipal officials. The municipal officials may recommend such adjustments as they deem necessary and appropriate. At the meeting, or within thirty (30) days thereafter, the County Executive shall inform the municipalities of the County Executive's decision. If a proposed adjustment requires approval by the County Council, the County Executive's decision shall be in the form of a recommendation to the County Council, accompanied by a bill, resolution, or other instrument which the Council may approve or disapprove. If the municipal officials disagree about the impact of an action on the municipal tax differential, they may invoke the arbitration procedures provided in this Division for resolution of other disagreements. If the arbitrator finds that the Office of Management and Budget's opinion about the impact on the municipal tax differential was in error, the Office of Management and Budget shall send the County Executive an amended statement of impact, and the process described herein shall be followed.

(18) Notwithstanding any other provision of this Section, for Fiscal Year 1996 only, the tax rate differential rates for each municipality shall be at the same rate as established for Fiscal Year 1995.]

(a) There is hereby established a municipal tax differential program pursuant to Section 6-305 of the Tax-Property Article of the Annotated Code of Maryland.

(b) The County property tax rate to be set for assessments of property in a municipal corporation shall be calculated and established as follows:

(1) For each eligible service or program, the County shall calculate the net county service or program cost.

(2) The net county service or program cost for each eligible service or program shall be calculated to reflect the portion supported by the general fund property tax revenues.

(3) The County shall convert the calculated cost for each eligible service or program into a property tax rate equivalent by dividing the calculated County service cost by the Countywide property assessable base.

(4) The differential for each municipal corporation shall be calculated by multiplying the degree of service or program performed by the municipal corporation by the property tax rate equivalent.

(5) The differential determined pursuant to this section shall be rounded to the nearest tenth of a cent.

(c) The County property tax rate to be levied against all property located within a municipal corporation shall be computed in the following manner:

(1) Beginning in Fiscal Year 1999, the applied tax differential rate for each municipality shall be the average of the tax rate calculated in accordance with Subsection (b) for the ensuing fiscal year and the calculated tax rates for the current fiscal year and the immediately preceding three fiscal years, provided, however, that for purposes of determining the applied tax differential rate, the tax rate levied in fiscal years 1995 through 1998, inclusive, shall be used in lieu of a calculated rate.

(2) Beginning in Fiscal Year 2004, the tax differential rate for each municipality shall be the average of the tax rate calculated in accordance with Subsection (b) for the ensuing fiscal year and the calculated tax rates for the current fiscal year and the immediately preceding fiscal year.

**Sec. 10-185. [Negotiation and Arbitration] Municipal Tax Differential Applied.**

[(a) An advisory arbitration process shall be employed in the event the County and a municipality are unable to reach agreement upon the degree to which a municipality is providing services in lieu of the County providing the service. An advisory arbitration panel shall be constituted as follows:

- (1) One member named by the municipality;
- (2) One member named by the County government;
- (3) One member chosen jointly by the member selected by the municipality and the member selected by the County government.

(b) Upon receipt of disputed matter(s), an advisory arbitration panel, selected as set forth in Subsection (a), above, shall conduct a panel, selected as set forth in Subsection (a),



above, shall conduct a hearing no later than January 30, provided that both the County and the municipality have had no less than forty-eight (48) hours notice of the date, time, and place of such hearing.]

(a) By December 7, the County shall notify the municipal corporation of the County's determination regarding the degree to which the municipal corporation is providing one or more eligible services in lieu of the County. Any disagreement shall be subject to negotiation between the County and the municipal corporation.

(b) If the County and the municipal corporation are unable to agree on the degree to which the municipal corporation is providing one or more eligible services or programs by January 15, the matters in dispute shall be submitted to an Arbitration Panel. The deadline may be extended by mutual agreement.

(c) The Arbitration Panel shall be comprised of the following:

One member selected by the municipal corporation involved in the dispute

One member selected by the County Executive

One member selected jointly by the above members.

[(c)] (d) At the arbitration hearing, the County and the municipality may present testimony, evidence, and oral argument as to the matters in dispute.

[(d)] (e) The [Advisory] Arbitration Panel shall issue its advisory determination to the County Executive and County Council no later than February 15. [The final decision shall be made by the County Executive and County Council.]

SECTION 3. BE IT FURTHER ENACTED that Sections 10-186, 10-186.01, and 10-186.02 of the Prince George's County Code be and the same are hereby added:

#### **SUBTITLE 10. FINANCE AND TAXATION.**

#### **DIVISION 6. MUNICIPAL TAX DIFFERENTIAL.**

#### **Sec. 10-186. Reports.**

(a) The County shall provide to each municipal corporation by October 7 of each year a copy of the County's adopted Current Expense Budget for the fiscal year which began the preceding July 1, which documents shall be used in determining the tax differential.

(b) The County shall provide to each municipal corporation a standardized report form listing each potentially eligible service. Municipal corporations shall report to the Director upon such forms and shall set forth such information as the Director may prescribe and require. Information submitted by any municipal corporation is subject to verification by the Director.

(c) Each municipal corporation shall identify, in ten percent (10%) increments, the degree to which it is providing eligible services to its citizens in lieu of the County providing those services. Each municipal corporation shall complete and return the standardized report to the County by November 7 of each year.

**Sec. 10-186.01. Powers of the Director.**

The Director may make, adopt, and amend such rules and regulations as the Director may deem necessary to implement the provisions of this Division.

**Sec. 10-186.02. Annual Review.**

(a) The Tax Differential Task Force shall mean an appointed body for the purpose of conducting an annual review and the Task Force shall be comprised of the following representatives:

One Member from the Office of the County Executive

One Member from the County Council

One Member from the Office of Management & Budget

Two Members designated by Prince George's County Municipal Association

Two Members from unincorporated areas of the County and appointed by the Chair of the County Council.

(b) The Tax Differential Task Force shall conduct an annual review of the Tax Differential program and rules adopted by the Director for its implementation, including methods of ensuring adequate public awareness. This review shall be completed on or before July 31 of each year. Appropriate recommendations shall be submitted by the Task Force to the County Executive, as may be necessary.

SECTION 4. BE IT FURTHER ENACTED that the provisions of this Act shall be

applicable to municipal tax differential rates established for Fiscal Year 1999 and for each fiscal year thereafter.

SECTION 5. BE IT FURTHER ENACTED that this Act shall take effect forty-five (45) calendar days after it becomes law.

Adopted this 7th day of October, 1997.

COUNTY COUNCIL OF PRINCE  
GEORGE'S COUNTY, MARYLAND

BY:

Dorothy F. Bailey  
Chair

ATTEST:

Joyce T. Sweeney  
Clerk of the Council

APPROVED:

DATE: \_\_\_\_\_

BY:

Wayne K. Curry  
County Executive

KEY:

Underscoring indicates language added to existing law.

[Brackets] indicate language deleted from existing law.

Asterisks \*\*\* indicate intervening existing Code provisions that remain unchanged.