"Federation Corner" column
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Council increases property taxes
overrides "Charter Limit" on increases for 3rd year in a row

At the end of May, 2004, the Council voted to override the cap for the third year in a row, with a rate that will bring in an additional $37 million above the charter limit in the next fiscal year. We'll see the increase in our individual property tax bills due this September, 2004.

In May, the Council also voted to collect in the next 12 months another $41 million from the citizens of this county by raising our energy tax rate, beginning with the bills we receive at the end of July. Skyrocketing property tax bills are a concern to all property owners in Montgomery County. But, in recent years the increase in this tax has many homeowners, especially our seniors on fixed incomes, questioning whether they can afford to continue living here or they will be forced to sell and move out of the county.

In the mid-1990s voters approved a charter amendment called "Fairness in Taxation," which placed a cap on the amount that property taxes could be increased over the prior year. However, a provision in that charter amendment allows a "super majority" of the County Council, consisting of 7 of the 9 members, to override the cap on the property tax increase.

What About Impact Taxes: A History of "Impact Taxes" in Montgomery County
Impact taxes are used by jurisdictions to pay for public infrastructure caused by growth, including roads, schools and public transit. Ten Maryland counties, including Prince George's, Charles, Frederick, Queen Anne's, Carroll, Anne Arundel and Howard have established impact taxes. In Montgomery County, despite 16 years of debate and four unsuccessful attempts to enact an impact tax, development interests managed to limit the imposition of such taxes solely to Germantown, Clarksburg and eastern Montgomery.

In November of 2001, by a 5 to 4 vote, the Montgomery County Council finally passed an impact tax bill, which would have imposed a transportation impact tax on residential, commercial and industrial development. The tax on an average-sized single-family house would have been $3,630. Even though this amount would have been lower than 8 of the ten Maryland counties that employ impact taxes, County Executive Douglas Duncan vetoed the bill and set aside the proposed impact tax.

In March of 2002, after negotiating a compromise with Duncan, the County Council unanimously passed another impact tax bill. This "compromise bill" resulted in a flat tax rate of $2,100 on any new home, whether it was a town home in Damascus or a mansion in Potomac. Montgomery County thereby established the second-lowest impact-tax rate in the state of Maryland. Only Caroline County, on the Eastern Shore, is lower. Rates in Germantown, Clarksburg and eastern Montgomery, which ranged from $2,200 to $2,800, were unchanged by this bill.

In addition to establishing an almost record-low tax in the richest county in Maryland, the impact tax bill provided a number of "work-arounds" for developers. A grandfather provision exempted projects already in the "pipeline", if they were built by July 2003. The bill exempted biotech companies and hospitals that would build or expand. It provided an incentive to housing developers to build more affordable units than County law currently requires by exempting developers who meet certain criteria.

Those who build in the Silver Spring or Wheaton enterprise zones do not have to pay the current impact-tax and those who build near Park and Planning staff estimate that the current cost estimate for planned transportation improvements in Montgomery County is $5.9 billion. If all of that cost were allocated to the 146,000 jobs and 78,000 housing units to be built between now and 2030, the per-job and per-unit cost of that infrastructure would be about $26,000."

"The cost to build school buildings for the 31,200 public school students living in those 78,000 housing units is $808 million, or about $10,300 per housing unit. The Planning Board recognizes that $26,000 per job and $36,300 per housing unit is not a feasible impact tax, but notes that these figures demonstrate the magnitude of the challenge."

On October 28, 2003 the County Council passed a new Impact Tax Policy, which produced an average Impact Tax per residential unit of $9,041 against an estimated infrastructure cost of $13,470. Considering only residential construction, there is an average infrastructure deficit of more than $4,000 on each new residence built, and an aggregate deficit of more than $304,000,000 by 2010. These deficits will translate either into unmet school and transit needs or into new taxes, a burden which the taxpayers of Montgomery County must again bear.

Impact taxes are used by jurisdictions to pay for public infrastructure caused by growth, including roads, schools and public transit. Ten Maryland counties, including Prince George's, Charles, Frederick, Queen Anne's, Carroll, Anne Arundel and Howard have established impact taxes. In Montgomery County, despite 16 years of debate and four unsuccessful attempts to enact an impact tax, development interests managed to limit the imposition of such taxes solely to Germantown, Clarksburg and eastern Montgomery. (2001-2004)

County	Rate
Prince Georges	$7,000-12,000
Charles	$9,700
Frederick	$7,446
Queen Annes	$5,744
Carroll	$4,774
St. Mary's	$4,500
Anne Arundel	$4,069
Calvert	$3.950
Howard	$2,640
Montgomery	$2,100
Caroline	$1,500

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In 2003, in response to inescapable empirical evidence of public infrastructure overload, the County Council directed the Montgomery County Planning Board to conduct a “top to bottom” review of the County’s Annual Growth Policy. Among the Planning Board’s conclusions was the recommendation that additional impact taxes be established to defray the transportation and school costs created by continuing growth and construction. The Planning Board documented their estimates of the required size of such an impact tax in their AGP Summary and Recommendations as follows:

“Park and Planning staff estimate that the current cost estimate for planned transportation improvements in Montgomery County is $5.9 billion. If all of that cost were allocated to the 146,000 jobs and 78,000 housing units to be built between now and 2030, the per-job and per-unit cost of that infrastructure would be about $26,000.”

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Astonishingly, this same County leadership recently reduced developer payments for school and road support by more than $80M per year as part of their Growth Policy/Impact Tax legislation.

How much more will it cost you?

On properties with no improvements made this past year, the charter cap allows the county to collect the same County Property Tax (the first line on your itemized bill) as paid last year plus a small increase to cover the rate of inflation. For a home assessed at $300,000 the charter limit increase would be $56 more than last year. The Council voted instead to collect $152 more than last year.

Don't forget, each year's tax bill is based on a percentage increase over the previous year's bill. So, by overriding the charter limit for three years in a row, the County Council now has us paying excess taxes compounded on top of excess taxes.