

Commercial Real Property Tax

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Tax Revenue Received by City

- Real Property
- Personal Property (including inventory tax through this year)
- Railroad and Public Utilities
- Admission and Amusement
- Income Tax
- Bank Share
- Hotel/Motel
- Intergovernmental Revenue (from taxes paid to others & HUR)



Tax Revenue with Rates Controlled by Council for FY19

- Real Property \$0.5291 per \$100 assessed value
- Personal Property \$1.55 per \$100 assessed value
- Railroad and Public Utilities \$1.57 per \$100 assessed value
- Municipalities can define categories of Real Property and set different rates for each category. Council is interested in considering a Commercial Real Property Tax category for FY 20.



Real Property Tax by SDAT Category

- Commercial (9.00%)
- Commercial Condominium (0.50%)
- Commercial/Residential (0.04%)
 - **Totals \$1,139,577 – or 9.54%**
- Apartment (8.41%)
 - **Totals \$1,005,209 – or 8.41%**
- Residential (77.18%)
- Residential Condominium (4.87%)
 - **Totals \$9,803,430 – or 82.05%**

TOTAL: \$11,948,216



Personal Property Tax

- Applies to businesses
- Consists of base amount (equipment and furnishings) and inventory
- Many jurisdictions do not tax, or do not fully tax, the inventory component, but Takoma Park did tax it at 100% through this year
- Inventory tax will be eliminated next year in Takoma Park; with this elimination, there is an interest in finding a way to offset the loss of about \$320,000 in revenue



Other Taxes

- Admission and Amusement Tax – Before 2014, was negligible; since Chuck E. Cheese moved into Takoma Park, has averaged \$130,000 per year
- Hotel/Motel Tax – averages \$100,000



How to Define “Commercial”

- Helpful to use existing definitions to the greatest extent possible
- Staff preference is to not include apartment buildings
- Home occupations should probably not be included but should look at how to characterize mixed-use buildings
- What about vacant property that is not parkland, no matter the zoning?
- Is there interest in lower rates for local ownership, local employees, sustainable practices, other categories that may help advance city goals?



How to Define “Commercial”

- Note that commercial real property is different than a business
- A Commercial Real Property Tax may not directly affect some businesses
- Removing the Inventory Tax only helps businesses with inventory
- Commercial leases vary greatly in how they address taxes



Community Outreach

- Need to meet with commercial property owners this fall, probably late October/early November
 - Coordinate with OTBA and Takoma Langley CDA
 - Can prepare mailings, hold meetings, hold Facebook Live meetings, recognizing that many property owners do not live or work in Takoma Park
- Should have opportunities for property owners to make suggestions about categories, timing, amount of tax before Council consideration



Questions ?

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