



## Takoma Park City Council Meeting – January 30, 2019 Agenda Item 2

### **Voting Session**

Resolution Regarding Real Property Tax Categories

### **Recommended Council Action**

Approve Resolution

### **Context with Key Issues**

Real property in Takoma Park, except for railroad and utility property, is currently taxed at the same rate regardless of the land use. State law allows municipalities to impose a different property tax on identified classes or subclasses of property. Factors to consider in the assessment of the tax rate are the rationality of the classification and the availability of the data required to apply the different rate on an annual basis. The tax must be uniformly applied and it must be based on the property's actual value. The annual tax rate is set by Council as part of the budget process.

Following a detailed review of legal and practical options regarding the possibility of assessing commercial real property at a higher rate than residential property after the elimination of the inventory component of the personal property tax, the matter was discussed with the Council at its January 16 Work Session. In the Work Session, staff discussed the possibility of creating several new real property tax categories to provide more information and flexibility when making tax rate decisions during the annual budget process. That idea was well received by Council.

The recommended categories, based on State Department of Assessment and Taxation classifications, are:

- Railroads and Utilities
- Commercial, Commercial Condominium, Commercial Residential
- Apartments
- Residential and Residential Condominium
- Vacant (developed property)

Identification of any real property categories that we wish to have Montgomery County program into its billing system needs to be made now so that the computers can receive the appropriate tax rates when the City Council adopts them in May. The rates for the various categories may be the same or may differ.

### **Council Priority**

A Livable Community for All; Fiscally Sustainable Government; Community Development for an Improved & Equitable Quality of Life

### **Environmental Considerations**

The creation of real property tax categories allows the Council to consider varying tax rates on different types of properties, which may allow the Council to ease the financial impact of certain environmental measures on certain taxpayers, raise funds for actions to advance environmental sustainability, or encourage use and development that advances environmental goals (by encouraging thriving, walkable business areas, for example).

**Fiscal Considerations**

Council wishes to consider options to make up approximately \$320,000 due to the elimination of the inventory portion of the personal property tax. Whether this is done through real property taxes or other measures is to be determined during the budget process.

**Racial Equity Considerations**

The creation of real property tax categories allows the Council to consider how various tax rates may affect racial equity goals in Takoma Park.

**Attachments and Links**

- Draft resolution

Introduced by:

**CITY OF TAKOMA PARK, MARYLAND**

**RESOLUTION 2019-  
ADDING NEW REAL PROPERTY TAX CLASSIFICATIONS**

WHEREAS, as a result of eliminating the Inventory portion of the Personal Property Tax, research has been done on the possibility of adding a real property tax classification for commercial property; and

WHEREAS, in the State of Maryland, municipalities may identify multiple real property categories, which may receive different tax rates, providing those categories meet certain standards; and

WHEREAS, Takoma Park currently has two real property taxing categories, one for Railroads and Utilities and one for all other real property; and

WHEREAS, it is desired by the Council to add the categories of Commercial, Apartments, and Vacant; and

WHEREAS, dividing Takoma Park real property into these categories will help identify how real property tax rates affect each category, and will allow adjustment of rates to help meet Council goals; and

WHEREAS, real property tax classifications must be submitted to Montgomery County soon to allow sufficient time to add the classifications to the tax billing system used by Takoma Park.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND THAT the real property tax classifications of Commercial, Apartments and Vacant are to be added to the real property classifications currently used for taxing purposes in the City of Takoma Park and the City Manager is directed to provide the information on the classifications to Montgomery County to effectuate that change.

Adopted this \_\_\_\_ day of \_\_\_\_\_, 2019

Attest:

Jessie Carpenter, CMC  
City Clerk