

# FY22 Property Tax Adjustment Options



## Property Tax Adjustment Options City Council Discussion

February 24, 2021

## FY22 Property Tax Adjustment Options

- In Maryland, municipalities are very limited in the way they can raise revenue to pay for the services they provide. The primary method is real property tax.
- Municipalities have no control over the amount of income tax received and they cannot set sales tax, energy tax, phone tax or similar taxes as are done by Maryland counties or by municipalities in other states.

February 24, 2021

## FY22 Property Tax Adjustment Options

- Takoma Park has a relatively small commercial property tax base.
- In addition, rent stabilization limits the amount of property tax from multifamily properties, as the value of those properties is partially based on rental income.

## FY22 Property Tax Adjustment Options

- Single family property tax owners pay a higher property tax rate than other municipalities in Montgomery County; other municipalities have wealthier residents so receive more from income tax and/or have larger commercial bases to offset amount paid by homeowners; most municipalities provide fewer services.

## FY22 Property Tax Adjustment Options

- Note: many municipalities in other counties have higher property tax rates than Takoma Park.

## FY22 Property Tax Adjustment Options

- The amount that a homeowner pays in property taxes is the combined State/County/City tax rate times the assessable value for that year, less any credits.

■ State: 0.1120 6.8%

■ County+: 0.9912 60.3%

■ City: 0.5397 32.9%

Total for FY21: 1.6429

## FY22 Property Tax Adjustment Options

- For many years, Takoma Park single-family home properties were relatively affordable compared to many other areas of Montgomery County. That kept property tax payments lower than other places in the County despite a higher tax rate.

## FY22 Property Tax Adjustment Options

- Paying property taxes can be difficult for some property owners at certain points in their lives, particularly homeowners who have owned their homes many years and whose total income has not kept up with property value increases. To help, the City provides additional funds to those receiving the Homeowners Property Tax Credit and shares info on other available credits.

February 24, 2021



## FY22 Property Tax Adjustment Options

- The Homestead Tax Credit is for homeowners who have lived in their homes for one year; is not income based.
- The Homeowners and Renter's Tax Credits are income based and there are other limitations. These tax credits also trigger additional assistance from Montgomery County and Takoma Park.
- Takoma Park budgets \$160,000 each year for this (150 homeowners).

February 24, 2021

## FY22 Property Tax Adjustment Options

- Popular County tax credits include the Tax Credit for Elderly Individuals and for Military Retirees, the Senior Tax Credit, and the Historic Preservation Tax Credit.
- Others include credits for Day Care Provider, Home Computer Telecommuting Incentive, and Spouse of Fallen Law Enforcement Officer or Rescue Worker.

## FY22 Property Tax Adjustment Options

What additional property tax adjustment options might be appropriate for Takoma Park?

- Providing option to defer property tax
- Increasing value of property allowable for a tax credit
- Increasing maximum income allowable for a tax credit
- Providing additional credits to County tax credits

February 24, 2021

## FY22 Property Tax Adjustment Options

Issues to be considered in Takoma Park:

- Extent to which the property owner is in need?
- Cost to the City of the program?
- Difficulty of implementing the program?
- Extent to which race equity goals would be advanced?
- Could County changes be more effective?

February 24, 2021

## FY22 Property Tax Adjustment Options

What additional property tax adjustment options might be appropriate for Takoma Park?

- Providing option to defer City property tax
  - ▶ County has a program allowing deferral of County tax that exceeds the prior year; 65+; 5 year residency; income < \$80,000; cap of 50% of fair mkt value

## FY22 Property Tax Adjustment Options

What additional property tax adjustment options might be appropriate for Takoma Park?

- Increasing value of property allowable for a tax credit
  - ▶ Some credits have maximum property value of \$650,000 for eligibility (Elderly/Veteran)
  - ▶ Some have a cap (\$300,000 or \$350,000) for the amount on which to get a credit (Homeowners)

February 24, 2021

## FY22 Property Tax Adjustment Options

What additional property tax adjustment options might be appropriate for Takoma Park?

- Increasing maximum income allowable for a tax credit
  - ▶ Suggestion has been 80% of AMI (about \$80K for 2)
  - ▶ Homeowners is \$60,000; Seniors is \$80,000; County deferral is \$120,000

## FY22 Property Tax Adjustment Options

What additional property tax adjustment options might be appropriate for Takoma Park?

- Providing additional credits to County tax credits
  - ▶ Could make a determination to provide funds to those who receive certain County tax credits, particularly if they are income based



## FY22 Property Tax Adjustment Options

Issues to be considered in Takoma Park:

- Extent to which the property owner is in need?
  - ▶ Already eligible for an income based program
  - ▶ Some other proxy?

## FY22 Property Tax Adjustment Options

Issues to be considered in Takoma Park:

- Cost to the City of the program?
  - ▶ All credits or deferrals cost the City funds that can be used for other programs
  - ▶ Is there a need for additional staffing, consultant services or technology to administer the program?

## FY22 Property Tax Adjustment Options

Issues to be considered in Takoma Park:

- Difficulty of implementing the program?
  - ▶ Programs that require analysis of tax returns, land records research, or similar investigations may be difficult
  - ▶ Programs that are hard to describe to potential recipients may not be effective

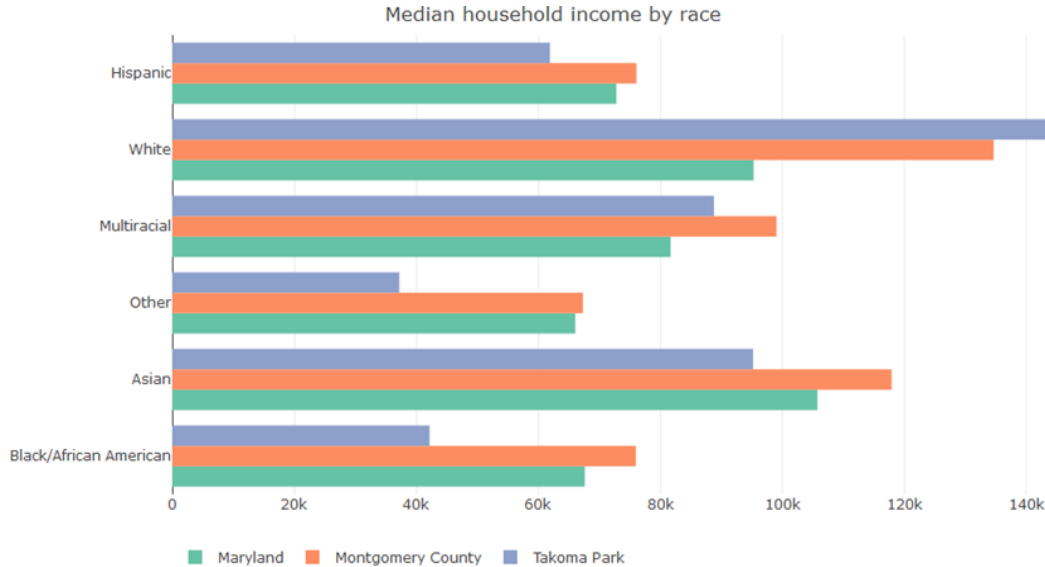
February 24, 2021

## FY22 Property Tax Adjustment Options

Issues to be considered in Takoma Park:

- Extent to which race equity goals would be advanced?
  - ▷ 54% of Takoma Park residents are people of color
  - ▷ 74% of homeowner households are White
  - ▷ Median White TP HH income is \$146,250; Median Black TP HH income is \$42,158

# FY22 Property Tax Adjustment Options



February 24, 2021

## FY22 Property Tax Adjustment Options

Issues to be considered in Takoma Park:

- Extent to which race equity goals would be advanced?
  - Is there a way to target tax adjustment options to people of color?

## FY22 Property Tax Adjustment Options

Issues to be considered in Takoma Park:

- Could County changes be more effective for residents?
  - ▶ Two-thirds of property tax is County and State taxes; credits for County taxes can make a significant difference for a property owner
  - ▶ County is also looking to advance race equity goals

## FY22 Property Tax Adjustment Options

### Next Steps:

- Identify any tax adjustment options to pursue
- Identify a maximum amount of City loss in revenue or increase in expenditures (staff, consultant services)
- Proposed FY22 budget being prepared now for presentation on April 7, Council vote in May

February 24, 2021



# FY22 Property Tax Adjustment Options

**Thank you!**

Suzanne Ludlow

City Manager

[SuzanneL@takomaparkmd.gov](mailto:SuzanneL@takomaparkmd.gov)

February 24, 2021