



Takoma Park City Council Meeting – February 24, 2021 Agenda Item 8

Work Session

Property Tax Adjustment Options

Recommended Council Action

Discuss the options for property tax adjustments

Context with Key Issues

City Councilmembers and staff have been discussing ways to provide adjustment options to real property taxes to help address needs of certain Takoma Park property owners.

Currently the City provides property tax credits for low-income homeowners and renters who receive State and County tax credits through the Homeowners Property Tax Credit and Renters Tax Credit programs. Montgomery County has a long list of tax credits, but many are very narrowly targeted (such as day care provider, spouse of fallen law enforcement officer, fire sprinkler systems). Some of the broader ones are the Senior Tax Credit, the Elderly/Veterans Tax Credit and the Historic Preservation Tax Credit. The State of Maryland also has some specific tax credits and, during every Legislative Session, there are additional tax credits proposed for specific populations, although often not adopted. Few narrowly-tailored tax credits are income based, nor are they designed to promote race equity.

With the pandemic, there is greater discussion at the State of ways to assist households in need, but most of the discussions focus on income tax assistance or short extensions of time to pay taxes or other expenses.

The Work Session will review the options and considerations listed here and review some data that affect these options.

In Takoma Park, several options for property tax adjustments that have been suggested are:

- Allowing for the deferral of property tax; that is, property taxes could be recouped at a later date, often after sale of the property
- Increasing the maximum value of the property allowable for an existing tax credit program
- Increasing the maximum income allowable of eligible households to an amount that is 80% of the Area Median Income (AMI)
- Providing additional tax credits to those who receive some or all of the Montgomery County tax credits, particularly for the Elderly/Veterans Tax Credit

Issues to be considered when reviewing these options are:

- The extent to which the property owner is in need and would be helped by the program
- The potential cost to the City in forgone or delayed property tax revenue
- The potential difficulty and cost for the City to implement the program
- Whether it would be better to have the program at the Montgomery County level, which would affect about two-thirds of the property tax amount, rather than just at the Takoma Park level, which would affect only one-third of the property tax amount
- The extent to which the program would advance the City's race equity goals

Council Priority

A Livable Community for All, and a Fiscally Sustainable Government

Environmental Considerations

Adoption of this resolution is not expected to have an environmental impact.

Fiscal Considerations

A reduction in property tax revenue in any given year must either be offset by higher tax revenues from others or funds from other sources, or by reductions in expenditures, or a combination of these actions. The City budgets for Homeowner and Renter Tax Credits each year, which generally total about \$160,000.

Racial Equity Considerations

According to the Census Bureau's 2019 American Community Survey for Takoma Park, a majority (54%) of the City's residents are people of color; however, 74% of homeowner households are white. Takoma Park provides many services to residents and particularly assists those with lower incomes, most of whom are people of color, by having rent control (which lowers property tax revenue from multifamily properties), providing scholarships for before and afterschool programs and camps, and, during emergencies such as this COVID-19 pandemic, providing direct assistance for basic needs. 77% of rental units are occupied by people of color. A reduction in property tax revenue can limit the amount of funds to provide services to Black and Brown residents. A well-designed program of property tax adjustments, however, could assist Black and Brown property owners that meet the criteria of the adjustment options.

Attachments and Links

[Montgomery County Tax Credits and Exemptions](#)

[Maryland Tax Credit Programs](#)