



Takoma Park City Council Meeting – March 10, 2021 Agenda Item 5

Voting Session

Resolution Regarding Tax Duplication

Recommended Council Action

Adopt the resolution.

Context with Key Issues

The City of Takoma Park is to receive funds from Montgomery County to offset the amount paid to the County by Takoma Park property owners for services they do not receive from Montgomery County. Although a tax duplication payment system was formalized in 1973 in Montgomery County, the process and formulas have not been kept up to date. More troubling, rebate funds have been largely frozen since 2012.

The City of Takoma Park has pushed hard to gain fair formulas for the payments. Significant agreement now exists between the County and the municipalities in the County about the appropriate formula for road maintenance, which is the tax duplication category that affects all municipalities, as well as an approach to make some modifications to the County Code about the process.

There is an opportunity at this point to make some changes for the FY22 budget and more significant changes for the FY23 budget. However, a Resolution about the need for these changes to occur would be helpful.

Takoma Park, in particular, has been significantly harmed by the frozen rebate payments over the last decade. An accounting by the County of the forgone revenue is an important ask so that the City and taxpayers can be made whole.

Council Priority

Fiscally Sustainable Government

Environmental Considerations

N/A

Fiscal Considerations

This resolution requests that the more accurate payments for road maintenance rebates be used; these can increase or decrease from year to year depending on weather conditions. The formula is based on the amount of funds the County expends per mile of road and that amount is pro-rated to the jurisdictions. The amount paid for police services is completely out-of-date. The current payments are based on a formula from 2002 that was out-of-date even at the time it was adopted in how it calculates what the County spends on policing costs. The amount was frozen in 2012, but the County Code police rebate has generally increased each year. There are other categories for which the City can and should receive rebates or some kind of shared payment, these include crossing guards and park maintenance, which have been part of the tax duplication system. The City receives money for library services under a different provision. Although both the County and the City provide recreation services and housing services, those areas could be eligible for some payment under changes being considered.

Racial Equity Considerations

The double taxation for services poses a burden on property owners in Takoma Park, a majority of whom are white. For those property owners that own multi-family property, which is predominantly occupied by Black and Brown residents, the limited funds curtail the ability of landlords to improve their property, particularly in a community with Rent Stabilization. The City of Takoma Park provides many services to its residents, but the limited amount of tax duplication rebates it receives limits the amount of services the City can afford to provide. Many services that benefit Black and Brown members of the community have lower fees for service or generous scholarship options. Since Takoma Park's property tax rate is the highest in Montgomery County, it is difficult to increase the tax rate to offset increased costs of services, particularly since property owners are paying double for some services.

Links to Background Information

- Draft Resolution

Introduced by:

CITY OF TAKOMA PARK, MARYLAND

RESOLUTION 2021-

DEMANDING FAIR TAX DUPLICATION PAYMENTS

WHEREAS, municipal governments in Maryland have little authority to set rates for revenue other than for real property tax, unlike municipalities in other states which often can set the levels of sales, income, energy, telephone, transfer and other tax rates based on the needs of their communities; and

WHEREAS, in municipalities in Maryland, property owners pay property tax to both county and municipal governments and often there are payments to both governments for services that are provided by only the municipality; and

WHEREAS, in these cases, municipal property owners are unfairly paying too much in taxes and should either not be charged for the services they are not receiving from the county or the municipality should receive a rebate from the county of the funds; and

WHEREAS, in 1946, the Maryland Commission on the Distribution of Tax Revenues recognized the need to address the issue and established the State sharing of tax revenues with local governments and provided for the distribution of tax revenues between counties and municipal corporations; and

WHEREAS, these State actions refer primarily to the distribution of property tax revenue, but the actions were taken in conjunction with removing the authority for municipalities to set other fees and taxes; and

WHEREAS, in the 1940's, an amount was set in the Montgomery County Code specifying a "Takoma Park Police Rebate" that was calculated based on a property assessment formula; and

WHEREAS, in 1973, Montgomery County added Chapter 30A, "Montgomery County – Municipal Revenue Program" to the County Code; it provides for a reimbursement for those services provided by municipalities that would otherwise have been provided by Montgomery County; and

WHEREAS, the County law does not restrict the tax duplication rebates to be limited only to the proportion of the services paid by County property tax revenue; this is a fair approach because municipalities do not have the flexibility in revenue sources or setting rates that counties do; and

WHEREAS, Montgomery County normally receives 60% of its tax revenue from income tax, rather than property tax, while Takoma Park receives less than 15% of its revenue from income tax; by State law municipalities receive 17% of the income tax amount paid by their residents to Montgomery County; and

WHEREAS, in 1996, the Montgomery County Tax Duplication Task Force recommended specific rebate formulas for transportation (road maintenance), park maintenance, code enforcement, and other services, which were adopted by the County Council; and discussions took place between the County and City of Takoma Park on the police rebate and how to handle payments related to the Takoma Park Library once all of Takoma Park became part of Montgomery County in 1997; and

WHEREAS, the County paid the formula amounts to municipalities for transportation (road maintenance), park maintenance, code enforcement, and other services annually until 2013, even though some of the formulas became out of date; and

WHEREAS, in 2000, a formula was established regarding the rebate for police services that computed what the County would have spent on providing police services to Takoma Park less the amount the County Code specified "Takoma Park Police Rebate" amount the City should receive; and

WHEREAS, within a year, the County attempted to unilaterally reduce the Takoma Park police tax duplication formula without renegotiation, with the City only learning of the change when action was before the County Council; and

WHEREAS, since 2001, there have been committees and task forces studying tax duplication formulas and revenue sharing ideas, and making recommendations, without resolution; and

WHEREAS, during the last twenty years, the City has repeatedly requested renegotiation of the municipal tax duplication payment for police services; one negotiation process came to an agreement at the staff level but ended with the report being stalled by the County Budget Director at the time and then did not proceed when the recession hit; and

WHEREAS, in 2012, the recession hit Maryland state, county and municipal revenues very hard; the Montgomery County Executive proposed cutting the municipal tax duplication payments by 25%, and then the amount was reduced by the County Council to a cut of 15%, with an additional payment to the City of Takoma Park for police services; and

WHEREAS, the amounts paid by Montgomery County to its municipalities have been largely frozen since 2012; and

WHEREAS, the County has not appreciated the impact of nearly a decade of frozen payments on municipalities that must continue to maintain roads, provide public safety, and maintain parks when the cost of staff and materials is much greater now than it was in 2012; and

WHEREAS, Takoma Park did have some increases in police rebate payments over this time solely due to the County Code Police Rebate formula-related increases, which the County could not freeze; and

WHEREAS, municipal and County representatives came to agreement on appropriate formulas for the major categories of road and park maintenance and a process to move forward to update the tax duplication program in 2018; this information was shared with County Councilmembers and staff of newly-elected County Executive Marc Elrich; and

WHEREAS, there was no movement on the proposal for the FY20 budget, but there was agreement to pay the road maintenance rate in the FY21 budget, which provided increases for most municipalities; and

WHEREAS, the pandemic hit at the beginning of the consideration of the FY21 budget and the County Council, without advance notice, voted to maintain the previous level of payments; and

WHEREAS, in February 2021, the County Executive said he would put forth the road maintenance tax duplication number again as part of his proposed budget and the County's Chief Administrative Officer has identified staff with whom to begin discussing police payments for the FY23 budget year; and

WHEREAS, residents of Takoma Park have been harmed for a decade regarding tax duplication payments in general, and for 21 years regarding tax duplication payments for Takoma Park police services and must be made whole; and

WHEREAS, the City Council is cautiously optimistic that negotiations can reopen with County staff to finalize the updates to the tax duplication program and to establish an accurate formula for a rebate for police services; and

WHEREAS, the American Recovery Plan Act of 2021 will provide funds to both counties and municipalities but the funds cannot go to the ongoing services tax duplication funds address; and will not address the decades-long unjust policy of double taxing of property owners.

NOW, THEREFORE, BE IT RESOLVED that the Council of Takoma Park demands that the Montgomery County Executive and County Council approve the proposed amounts of tax duplication funds in the FY22 County budget and work diligently to negotiate fair payments for the other services and police tax duplication rebate for FY23;

AND, BE IT FURTHER RESOLVED, that the Council requests the County to undertake a calculation of the amounts that Takoma Park should have received over the years and pay the difference to the City in an allocation in the County's FY23 budget.

Adopted this ____ day of March, 2021.