

# City of Takoma Park

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March 16, 2021

Montgomery County Council  
100 Maryland Avenue  
Rockville, Maryland 20850

Dear President Hucker and Members of the Council,

On behalf of the Takoma Park City Council, attached please find a copy of Takoma Park [Resolution 2021-8](#), Demanding Fair Tax Duplication Payments.

The County Executive had been asked by the Montgomery County Chapter of the Maryland Municipal League to begin addressing municipal tax duplication by paying the full amount of tax duplication funds for road maintenance ("transportation"), then work to clarify the formula for park maintenance reimbursements, negotiate the formula for police services, and make changes to the County Code so that a regular process for updating formulas can be established. We believed that that approach was accepted by the County Executive.

The attached Resolution of the Takoma Park City Council was prepared before the County Executive's Proposed Budget was announced. As you consider the County Executive's proposed FY22 budget, please note that not even the full amount of the road maintenance money is included in the proposal for tax duplication payments this year, as shown in the attached chart provided to Montgomery County municipalities in February. The full amount of road maintenance reimbursement for Montgomery County municipalities under the agreed-upon formula would be \$10,933,731 and the separate amount for Takoma Park's reimbursement for police and crossing guards would be \$3,027,122.

The City of Takoma Park asks the Council to include the full amount of road maintenance funds and the amounts for Takoma Park police and crossing guard services in the FY22 budget. We also ask that, for FY23, the County adopt Code language to establish a regular process for updating formulas and paying rebates and also finalize negotiations for fair payments for the other services including police tax duplication. Information on what is involved in these steps is available and we have been given the names of County staff who will work with us on the police rebate negotiations.

Montgomery County is receiving perhaps its largest amount of income tax revenue ever, and will be receiving funds through the American Recovery Plan Act of 2021. As a comparison, Takoma Park does not receive much in income tax revenue; income tax represents just 13.7% of our

annual General Fund revenue. While the City of Takoma Park will also be receiving funds from the American Recovery Plan Act, those funds cannot be used for the services for which tax duplication rebates are merited, such as road maintenance, park maintenance and police services.

The question for each member of the County Council is this: What County services do you know of that have had no increase in cost since 2012? The amounts received by Montgomery County municipalities for tax duplication rebates have been frozen since FY2012. While we appreciate any increase, the increase proposed for FY22 is small. Intergovernmental payments to the City of Takoma Park have traditionally made up 25% of the City's revenue. That percentage is dropping because of these frozen amounts, but the cost of providing services, paying staff and buying materials has only increased.

We ask the County Council to do the right thing and reimburse municipalities the full amount of the funds that were paid to the County for services only the municipality provides.

Thank you for your consideration of this request. As the final Resolved clause reads,

*BE IT FURTHER RESOLVED THAT the Council of Takoma Park calls on the County Executive and County Council to recognize the complementary work done by the County and municipalities in making our communities safe, attractive, and welcoming and to finally rectify this long-standing inequity.*

Sincerely,



Suzanne R. Ludlow  
City Manager

cc: Takoma Park City Council

Introduced by: Councilmember Dyballa

**CITY OF TAKOMA PARK, MARYLAND**

**RESOLUTION 2021-8**

**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 can often 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 property 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, for over six decades there have been discussions about how the tax duplication issue should be addressed in Maryland, in Montgomery County and in the City of Takoma Park without full resolution, resulting in substantial overpayments of property taxes to Montgomery County from property owners in Takoma Park; and
- WHEREAS, since the recession of 2012, municipal tax rebate payments from Montgomery County to Takoma Park for road maintenance, park maintenance, crossing guards and police services have been frozen at the amount of \$3,513,643, and only a separate, smaller County Code-specified Takoma Park Police Rebate has increased, while the costs of providing these services in the County and the City have substantially increased; and
- WHEREAS, as an example, when a comparison was done between what the County calculated would have been paid based on previously-agreed upon formulas for the FY18 budget and the frozen amount, it was determined that the County should have paid \$902,014 more as a rebate to the City of Takoma Park for that year alone; 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; and
- WHEREAS, under the previous County Executive, an argument was made that despite the broader language of the County law, tax duplication only applied to 40% of the

amount spent on services because only 40% of the County's revenue comes from property tax while 60% of its tax revenue comes from income tax, and for that reason identified any rebate funds that were over 40% of the formula amount as "grants;" and

WHEREAS, in Maryland, municipalities do not have the revenue sources of counties and cannot establish income tax rates for its jurisdictions; by State law municipalities receive 17% of the income tax amount paid by their residents to a county and through this provision Takoma Park receives less than 15% of its revenue from income tax; and

WHEREAS, there is now a proposal put forward by Montgomery County municipalities that has been discussed with County officials to adopt a permanent process for updating formulas, paying rebates, and, as a first step, for Montgomery County to pay an agreed-upon formula amount for road maintenance to municipalities in Montgomery County and to negotiate payments for police services; 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, given the history of these discussions since the 1940's as summarized on the attachment, the City of Takoma Park demands that the issue be resolved now; and

WHEREAS, as shown in the attached document regarding tax duplication history, 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; and

BE IT FURTHER RESOLVED THAT the Council of Takoma Park calls on the County Executive and County Council to recognize the complementary work done by the County and municipalities in making our communities safe, attractive, and welcoming and to finally rectify this long-standing inequity.

This resolution was adopted by the City of Takoma Park Council on March 10, 2021.

Attest:

Jessie Carpenter, CMC  
City Clerk

## **ATTACHMENT TO RESOLUTION 2021-8 (ADOPTED ON MARCH 10, 2021)**

### **SUMMARY OF MAJOR POINTS IN HISTORY OF TAX DUPLICATION DISCUSSIONS**

- In 1946, the Maryland Commission on the Distribution of Tax Revenues recognized the need to address the tax duplication 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.
- 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.
- 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.
- 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.
- 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 separate 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.
- 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.
- In 2000, the County and City negotiated a formula regarding the rebate for Takoma Park 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.
- 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.
- Since 2001, there have been committees and task forces studying tax duplication formulas and revenue sharing ideas, and making recommendations, without resolution.
- 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 affected Maryland governments in 2011.

- In 2011, the recession hit Maryland state, county and municipal revenues very hard; for the FY2012 budget, 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.
- The amounts paid by Montgomery County to its municipalities have been largely frozen since 2012.
- 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, but these amounts are relatively small.

Feb. 2021 Meeting,  
MML Mont. Chapter

## FY22 Municipal Tax Duplication Payment Summary: Revised Methodology

Municipality	Transportation	Police	Crossing Guards	Park	FY 21 Approved Budget	Revised Methodology	Total Increase
Brookville	17,817				8,067	10,690	2,623
Chevy Chase, Sec. III	59,657			4,724	31,513	40,282	8,769
Chevy Chase View	90,957				41,275	54,574	13,299
Chevy Chase Village	217,227				100,524	130,336	29,812
Town of Chevy Chase	265,381			11,273	131,669	169,938	38,269
Drummond	10,166				4,613	6,099	1,487
Friendship Heights	21,937			88,497	95,245	97,234	1,989
Gaithersburg	2,624,021				1,206,567	1,574,412	367,846
Garrett Park	106,821				48,367	64,093	15,725
Glen Echo	45,746				20,762	27,448	6,685
Kensington	265,589			45,504	156,809	202,582	45,773
Laytonsville	52,060				14,293	31,236	16,942
Martin's Additions	59,122				26,832	35,473	8,641
North Chevy Chase	55,644				25,195	33,387	8,192
Oakmont	7,223				3,278	4,334	1,056
Poolesville	543,896				228,936	326,338	97,402
Rockville	5,319,347				2,409,750	3,191,608	781,858
Somerset	125,234				56,173	75,140	18,967
Takoma Park	946,904	2,757,266	269,856	92,463	3,513,643	3,683,104	169,461
Washington Grove	98,983				44,922	59,390	14,467
<b>TOTAL</b>	<b>10,933,731</b>	<b>2,757,266</b>	<b>269,856</b>	<b>242,461</b>	<b>8,168,435</b>	<b>9,817,699</b>	<b>1,649,263</b>

Note: Due to fiscal constraints, a phased approach to implementing the revised methodology could be recommended.



Payment to Municipalities - FY22 Recommended	
Municipality	FY22 Payment
Brookeville	9,379
Chevy Chase, Sec. III	35,898
Chevy Chase View	47,925
Chevy Chase Village	115,430
Town of Chevy Chase	150,803
Drummond	5,356
Friendship Heights	96,240
Gaithersburg	1,390,490
Garrett Park	56,230
Glen Echo	24,105
Kensington	179,696
Laytonsville	22,765
Martin's Additions	31,153
North Chevy Chase	29,291
Oakmont	3,806
Poolesville	277,637
Rockville	2,800,679
Somerset	65,657
Takoma Park	3,598,374
Washington Grove	52,156
<b>TOTAL</b>	<b>\$8,993,067</b>

*FY22  
Proposed  
Budget*

This does not include the estimated Municipalities' Speed Camera Allocation of \$129,344

Explore

- Visualize
- Non-Departmental Accounts

Program Contacts

Contact Lindsay Lucas of the Office of Management and Budget at 240.777.2788 for more information regarding the operating budget for the Non-Departmental Accounts.

## Program Budget Changes

FY22 Recommended Changes	Expenditures	FTEs
<b>FY21 Approved</b>	<b>\$8,297,779</b>	<b>0</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	\$824,632	0
<b>FY22 Recommended</b>	<b>\$9,122,411</b>	<b>0</b>

Departments & Agencies

### Agency Summaries

- [Housing Opportunities Commission](#)
- [Maryland-National Capital Park and Planning Commission](#)
- [Montgomery College](#)
- [Montgomery County Government](#)
- [Montgomery County Public Schools](#)
- [Revenue Authority](#)
- [WSSC Water](#)

### Health and Human Services