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February 12, 2018

Mr. Sidney Katz
Councilmember
Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

Re: Municipal Tax Duplication

Dear Councilmember Katz:

Thank you for the opportunity to provide our recommendations for moving toward resolution on municipal tax duplication. We appreciate your support and willingness to make real progress on this long-standing issue between the county and municipalities. We apologize for our delay in responding, however, it was important for us to be able to speak as one voice on this issue given our unique and varied membership, so that we could provide you with a clear proposal.

We acknowledge that there are numerous areas of agreement that have been reached in recent years in the discussions between the county and municipalities. We recommend focusing on and formalizing these areas of agreement as a sound starting point for FY2019, as outlined below.

The formula for calculating the **road maintenance** reimbursement impacts all municipalities that receive tax duplication payments as all municipalities—regardless of size—perform full, independent maintenance of the municipal roadways within their boundaries. This formula represents the per mile cost the County spends on road maintenance and is easy to compute and is, in fact, computed annually. Road maintenance is not a discretionary responsibility for a municipality. Therefore, we recommend that beginning in FY2019 all municipalities receive their full road maintenance payment, with a commitment from the county for full payment going forward.

Second, the formula for **park maintenance** for those municipalities that are part of the Regional District and pay the park tax could also be computed and paid in FY2019, as there was Task Force agreement on the process and calculation several years ago. This formula is the cost per park type and acreage that M-NCPPC spends on park maintenance.

Of the categories shown on the attached tax duplication chart, only the reimbursement for **Takoma Park police services** has been handled in a separate manner. We ask that payment for that category continue to be made at the frozen level until a new formula is developed.

With the payment in full of the road maintenance and park maintenance amounts and of the frozen amount of the Takoma Park police payment, we are willing to suspend payment for the other categories for FY2019, provided:

1. The county commits to amend the County Code prior to its August 2018 recess to provide for reimbursement for shared services (such as police, recreation, elderly and housing services), as recommended by the Office of Legislative Oversight in its June 2013 report.
2. The county commits to amend the County Code prior to its August 2018 recess establishing a process to, in the year following quadrennial County elections, A) to convene a working group of municipal and county representatives to review the formulas supporting the tax duplication payments and update any that may need to be changed, and B) provide each municipality the opportunity to elect to either receive a rebate to the municipality or to have a tax differential reflected in the tax rates for municipal property owners.
3. In December 2018, the newly seated Executive, Councilmembers and staff immediately commence discussions with representatives from the Chapter regarding the formulas for shared services for implementation beginning in FY2020.
4. Any municipality that received a frozen payment in FY2018 that is greater than the combined full payment of the road maintenance and park maintenance amounts for FY2019 will receive the amount of the frozen FY2018 amount, so as not to be adversely impacted by this change for FY2019.

Collectively, the Chapter remains concerned with statements that tax duplication payments should be offset by other revenue sources that municipalities receive, such as income tax, which is separately provided for under State law. Our residents pay property tax to the County for services the County does not provide but that the municipality does. That is the crux of the issue regarding tax duplication. Other sources of revenue received by the municipalities are absolutely not a factor for consideration in these discussions and any continued reference to such will only serve to negatively impact these negotiations.

Lastly, it is important to acknowledge that the County and municipalities provide assistance to each other for the general benefit of county residents. Often municipalities spend their own resources on projects that help a large community outside of municipal borders (related to schools, social services, road improvements, etc.). County and municipal agencies may share physical space for mutual benefit, and the County and municipalities may provide services to each other without charging for them. Maintaining an appreciation for these complementary services is important as we all are jointly providing for the welfare of County residents and together we keep Montgomery County a wonderful jurisdiction in which to live, work and play.

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As stated at the outset, we appreciate the opportunity to establish a process for bringing this matter to resolution. We remain willing and eager for further discussion on next steps.

Sincerely,

A handwritten signature in black ink, appearing to read "Jarrett Smith", with a stylized flourish extending from the end of the signature.

Jarrett Smith
President, Montgomery County Chapter
of the Maryland Municipal League

cc: Montgomery County Council
Mr. Isiah Leggett, Montgomery County Executive
Member Municipalities, Montgomery Chapter of the Maryland Municipal League