



Action Alert

To: AOBA Members with Residential Property in Montgomery County

From: Lesa Hoover, VP Government Affairs, MD

Date: February 2 , 2009

Re: Classes of Property and Special Rates -- Contact Delegates

MC 906-09, if enacted, would authorize the County to create specific classes of property subject to real and personal property taxation. This bill enables the County to set a tax rate that varies among each designated class of property. Under current law, Maryland Tax-Property Code Section 8-101 divides property into real property and personal property classes, and then taxes each class at a uniformed rate.

This bill, in essence, grants the County an unfettered ability to do the following: 1) Select specific classes of property to be subject to a property tax, and 2) Set the rate of taxation for those classes. The inherent problem created by this bill is the apparent lack of guidance and/or restrictions on the County's ability to shift tax burdens in an unjust and discriminatory manner.

MC 906-09 would result in a decrease in the tax rate on residential property, while increasing the rate on commercial property. This potential tax discrimination is unwarranted and inequitable. Currently, the business community already bears a greater tax burden as a result of the real property homestead tax credit for residences. The business personal property tax rate is capped at 2.5 times the real property tax rate. The County has exceeded this rate four times since enacted in 1992. This cap was put in place by the Maryland General Assembly in order to limit the amount of tax increases the counties could shift to the business community. This bill would invalidate the cap, enable the County to impose even higher taxes on businesses, and serve as an untimely financial hardship for businesses during this time of economic difficulty.

It is imperative that everyone immediately contact members of the Delegation and County Executive Ike Leggett and voice opposition to this bill.