

VILLAGE of NORTH CHEVY CHASE

**RESOLUTION
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 respective Montgomery County municipalities without full resolution, resulting in substantial overpayments of property taxes to Montgomery County from property owners in the municipalities; and
- WHEREAS, since the recession of 2012, municipal tax rebate payments from Montgomery County to county municipalities for transportation (road maintenance), park maintenance, crossing guards and police services have been substantially frozen or non-existent, while the costs of providing these services in the County and in the municipalities have significantly 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 over \$6 million more as a rebate to the municipalities 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 their county and through this provision some municipalities receive less than 15% of their 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 transportation (road maintenance) to municipalities in Montgomery County and to negotiate payments for police services for the four municipal departments in Chevy Chase Village and the cities of Gaithersburg, Rockville and Takoma Park; and

WHEREAS, there was no movement on the proposal for the FY20 budget, but there was agreement to pay the transportation (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 transportation (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 Montgomery Chapter of the Maryland Municipal League, representing 21 municipalities consisting of almost 175,000¹ county/municipal residents (over 16% of the county’s population), demands that the issue be resolved now; and

WHEREAS, as shown in the attached document regarding tax duplication history, residents of Montgomery County municipalities 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 Montgomery Chapter 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

¹ Source: Maryland Department of Planning:
https://planning.maryland.gov/MSDC/Pages/pop_estimate/popest_muni.aspx


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.

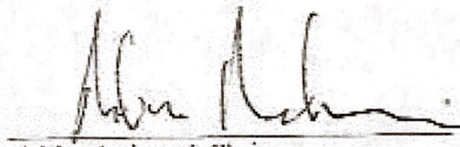
NOW, THEREFORE, BE IT RESOLVED that the Village of North Chevy Chase Council demands that the Montgomery County Executive and County Council approve the proposed amounts of tax duplication funds in the FY22 County budget totaling \$10,933,731 for transportation as calculated and presented by the Executive's staff in the "FY22 Municipal Tax Duplication Payment Summary: Revised Methodology" worksheet, and work diligently to negotiate fair payments for the other services and police tax duplication (for the four municipal police departments) rebate for FY23; and

BE IT FURTHER RESOLVED THAT the Village of North Chevy Chase, as a member of the Montgomery Chapter of the Maryland Municipal League, 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 by codifying the formulas into the County Code.

ATTEST:

VILLAGE OF NORTH CHEVY CHASE


Maury Mechanick, Secretary


Adrian Andreassi, Chair
Village Council