


MEMORANDUM

April 19, 2019

TO: County Council

FROM: Jacob Sesker, Senior Legislative Analyst 

SUBJECT: Resolution to set amount of Property Tax Credit for Income Tax Offset

PURPOSE: Public Hearing – No votes required

Under County Code §52-11B, the County Council is authorized to set, by resolution, the rate or amount of a property tax credit to offset a portion of the income tax revenue resulting from a County income tax rate that is higher than 2.6% (the County income tax is currently set at 3.2%). See §52-11B(c), below.

(c) The County Council must set the amount or rate of the credit under this Section annually by resolution, adopted no later than the date the Council sets the property tax rates. A public hearing must be held, with at least 15 days' notice, before the Council adopts a resolution under this Section. The amount or rate of the credit must, in the Council's judgment, offset some or all of the income tax revenue resulting from a County income tax rate higher than 2.6%. The Council must set the amount of the credit at zero for any tax year in which the rate of the County income tax does not exceed 2.6%.

The County Executive transmitted the attached resolution on March 15, 2019. The Executive recommends that the Council set the amount of the FY20 credit at \$692 for each eligible taxpayer (equal to the credit amount for each year from FY11 through FY19). Councilmember Jawando's memorandum indicating support for increasing the credit is attached at ©3-4. The resolution was introduced on April 2. A Government Operations and Fiscal Policy Committee worksession on credit amounts, tax rates, and property tax revenue is tentatively scheduled for May 2 at 9:30 a.m.

Attachments:

Draft Resolution	©1
Memo from County Executive	©2
Jawando Memo on Increasing the Credit	©3

Resolution No.: _____
Introduced: April 2, 2019
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: Council President at the request of the County Executive

SUBJECT: Property Tax Credit for Income Tax Offset

Background

1. County Code Section 52-11B authorizes the County Council by resolution to set the rate or amount of the property tax credit to offset certain income tax revenues resulting from a County income tax rate higher than 2.6%.
2. The County Executive has recommended the amount of property tax credit under County Code Section 52-11B for the tax year beginning July 1, 2019 to be \$692 for each eligible taxpayer.
3. Notice of public hearing was given, and public hearing was held.

Action

The County Council for Montgomery County, Maryland, approves the following action:

The amount of the property tax credit under County Code Section 52-11B for the tax year beginning July 1, 2019 is \$692 for each eligible taxpayer.

This is a correct copy of Council action.

Megan Davey Limarzi, Esq.
Clerk of the Council



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Marc Elrich
County Executive

MEMORANDUM

March 15, 2019

TO: Nancy Navarro, President, County Council

FROM: Marc Elrich, County Executive

SUBJECT: Property Tax Credit for Income Tax Offset

The purpose of this memorandum is to transmit for introduction by the County Council a resolution to authorize the Property Tax Credit for Income Tax Offset that is included in my FY20 Recommended Operating Budget. If approved by the County Council, this will provide a \$692 property tax credit for each owner-occupied dwelling in the County. I urge the Council to review and adopt this resolution as part of its deliberations on the FY20 Operating Budget.

ME:cmm

Attachment: Resolution - Property Tax Credit for Income Tax Offset

cc: Andrew Kleine, Chief Administrative Officer
Dale Tibbits, Special Assistant to the County Executive
Fariba Kassiri, Deputy Chief Administrative Officer
Richard S. Madaleno, Director, Office of Management and Budget
Alexandre A. Espinosa, Director, Department of Finance



MONTGOMERY COUNTY COUNCIL

WILL JAWANDO
COUNCILMEMBER
AT-LARGE

MEMORANDUM

To: Council President Nancy Navarro, GO Committee Chair
Council Vice President Sidney Katz
Councilmember Andrew Friedson
From: Councilmember Jawando *WJ*
Date: March 21, 2019
Re: Income Offset Tax Credit

As discussions about the County operating budget move forward, I would like to consider an adjustment to the Income Offset Tax Credit, currently set at \$692. As you are aware, this credit is available as an adjustment to property taxes for all Montgomery County homeowners. It is the most widely used credit in the County Code – last year more than 242,000 Montgomery County households (roughly 7 in 10 households) benefited from the credit.

According to Council staff estimates in the May 3, 2018 packet for the Government Operations Committee, “if the Council were to increase the credit by \$79 (from \$692 to \$771) and keep revenue from real property tax at the Charter limit, then the tax rate would increase by 1¢ and total property tax revenue would increase by roughly \$1.25 million. In terms of progressivity this would result in reduced property tax burdens, when compared to the County Executive's proposal, for homes with assessed values below approximately \$750,000.”

Increasing this credit would provide much needed relief to middle class families in Montgomery County.

- First, a change to the credit would benefit most Montgomery County households.
- Second, increasing the credit will make our tax code more progressive by providing the largest relative benefit to taxpayers with homes at or below the median assessed value.
- Third, increasing the credit is an equitable way for us to acknowledge the ever-increasing financial pressures on middle-class households. The Council first set the credit at \$692 for the levy year that funded the FY11 budget, and it has been set at \$692 for each subsequent year. However, since that time consumer prices have increased by more than 15%, health care costs have increased by more than 25%, and housing costs have increased by more than 33%.

- Fourth, increasing the amount of money that we return to more than 240,000 households will result in a benefit for our local economy through additional household spending and savings, and by reducing household debt.

As noted above, increasing the credit will also result in a modest amount of additional revenue. This revenue will help us to maintain the important services that Montgomery County households expect its government to provide.

Cc: Councilmember Albornoz;
Councilmember Glass;
Councilmember Hucker;
Councilmember Rice;
Councilmember Reimer;
Marlene Michaelson;
Jacob Sesker;
Rich Madaleno;
Alex Espinosa