
Local Taxing Authority and Revenue Sources

**Presentation to the
Local and Regional Transportation Funding Task Force**

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland
September 13, 2013**

Local Taxing Authority

- Local jurisdictions must receive authority from the General Assembly to impose any tax or to provide tax exemptions
- The manner in which the General Assembly may exercise its power over local taxation varies by each type of local government

Local Taxing Authority (cont.)

- Charter Counties (Anne Arundel, Baltimore, Cecil, Dorchester, Harford, Howard, Montgomery, Prince George's, Talbot, and Wicomico)
 - All charter counties are authorized by the Express Powers Act to impose a property tax and to create special taxing districts
 - The power to impose additional taxes must be granted by the General Assembly through other laws
 - Charter counties may limit property tax rates or revenues independently of the General Assembly through amendments to their charters – counties that have adopted such limits include Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico
- Code Home Rule Counties (Allegany, Caroline, Charles, Kent, Queen Anne's, and Worcester)
 - Code counties may not impose any new tax unless authorized by the General Assembly through a law that applies to all code counties in one or more of the classes created by the General Assembly
 - Caroline, Kent, Queen Anne's, and Worcester are classified in the Eastern Shore class, while Allegany and Charles are in separate classes
 - The General Assembly has exclusive power to limit the property tax rate for individual code counties, although this power has never been exercised

Local Taxing Authority (cont.)

- Commission Counties (Calvert, Carroll, Frederick¹, Garrett, St. Mary's, Somerset, and Washington)
 - The General Assembly has complete discretion to determine the taxing powers of commission counties
 - Commission counties have the power to impose a property tax and various other taxes under public general laws and public local laws

¹Frederick County will become a charter home rule county on December 1, 2014

- Municipalities
 - Municipalities may not impose a new tax unless authorized by the General Assembly through a law that applies to all municipalities, or that applies to one or more classes of municipalities created by the General Assembly based on population
 - The General Assembly has the power to limit the property tax rate for any individual municipality, subject to a local referendum, although this authority has never been exercised
 - The charter of a municipality may also limit property tax rates
 - According to the Maryland Municipal League, approximately 20 municipalities currently have such limits

Local Taxing Authority (cont.)

- Special Authority for Certain Jurisdictions
 - Through public local laws, the General Assembly has given Baltimore City, Baltimore County, and Montgomery County broad taxing authority, including the power to grant tax exemptions
 - Under these statutes, each of these jurisdictions may tax “to the same extent as the State” with specified exceptions
 - These exceptions prohibit certain local taxes, including taxes on such items as motor fuel, insurance, and estates

Local Revenue Sources (Taxes/Impact Fees)

- Property Taxes – Imposed by Counties and Municipalities
- Income Tax – Imposed by Counties
- Recordation and Transfer Taxes – Imposed by Counties
- Special Taxing Districts – Imposed by Counties and Municipalities
- Hotel Rental Taxes – Imposed by Counties and Municipalities
- Impact Fees and Development Excise Taxes – Imposed by Counties
- Admissions and Amusement Taxes – Imposed by Counties and Municipalities
- Additional Miscellaneous Taxes – Imposed by Counties

Property Taxes

- State law authorizes all counties and municipalities to impose taxes on both real and personal property
- Every county, Baltimore City, and almost all municipalities impose a real property tax
- County real property tax rates currently range from \$0.491 in Talbot County to \$2.268 per \$100 of assessed value in Baltimore City – median rate is \$0.985
- Under State law, county personal property tax rates are imposed at 2.5 times the real property tax rate – Frederick, Garrett, Kent, Queen Anne's, and Talbot counties exempt personal property from taxation
- Municipal real property tax rates range from zero to \$1.49 per \$100 of assessed value
- Projected fiscal 2013 county property tax revenue – \$6.7 billion

Income Tax

- All counties and Baltimore City, but not municipalities, are required by State law to impose an income tax
- Under State law, a county's income tax rate may be between 1.0% and 3.2%
- Current rates range from 1.25% in Worcester County to 3.2% in Baltimore City and Howard, Montgomery, Prince George's, Queen Anne's, and Wicomico counties – median rate is 2.9%
- While not authorized to impose an income tax, municipalities receive a portion of county income tax revenues collected, based on the greater of either 0.37% of the State tax liability or 17% of the county income tax liability of residents within its boundaries
- Projected fiscal 2013 county income tax revenue – \$4.3 billion

Recordation and Transfer Taxes

- All counties and Baltimore City, but not municipalities, are authorized to impose recordation taxes on real property transfers
- All counties and Baltimore City impose a recordation tax, with rates ranging from \$2.50 to \$6.00 per \$500 of the transaction
- In addition to recordation taxes, many counties, but not municipalities, are authorized to impose transfer taxes on real property transfers
- 16 counties and Baltimore City impose a transfer tax, with rates generally ranging from 0.5% to 1.5% – in lieu of a transfer tax, Cecil County imposes a fee of \$10 per deed
- Calvert, Carroll, Charles, Frederick, Somerset, and Wicomico counties do not impose a transfer tax – of those counties, Charles and Wicomico are currently authorized by State law to impose the tax
- Projected fiscal 2013 county recordation and transfer tax revenue – \$532.0 million

Hotel Rental Taxes

- All counties and Baltimore City are authorized to impose a hotel rental tax, except for Harford County, and all except Harford currently impose this tax
- Rates currently range from 3% in Cecil and Frederick counties to 9.5% in Baltimore City
- Under certain conditions, municipalities may impose an additional hotel rental tax of up to 2% – both Rockville and Gaithersburg in Montgomery County have enacted a 2% tax
- Many counties provide tax revenues collected from hotel rentals in municipalities to those municipalities
- Estimated fiscal 2013 hotel rental tax revenue – \$96.3 million

Impact Fees and Development Excise Taxes

- Sixteen counties currently impose either an impact fee or development excise tax – Anne Arundel, Calvert, Caroline, Carroll, Charles, Dorchester, Frederick, Harford, Howard, Montgomery, Prince George's, Queen Anne's, St. Mary's, Talbot, Washington, and Wicomico
- The primary services funded by these charges include public school construction, transportation, parks and recreation, and water/sewer utilities
- While a county must obtain explicit authority from the General Assembly before imposing an impact fee or excise tax, code home rule counties have already received authority from the General Assembly to impose such charges
- Municipalities are not generally authorized to impose impact fees or development excise taxes
- Estimated fiscal 2013 impact fee/development excise tax revenue – \$82.4 million

Admissions and Amusement Taxes

- All counties and municipalities are authorized to impose an admissions and amusement (A&A) tax
- All counties, except Caroline County, and many municipalities impose an A&A tax
- Rates range from 0.5% to 10.0%, with a limitation of no more than 5.0% if the sales and use tax is also imposed
- A county may not impose an A&A tax on gross receipts derived within a municipality if the municipality imposes the tax on the gross receipts or provides an exemption from the tax
- Estimated fiscal 2013 A&A tax revenue – \$42.7 million

Additional Miscellaneous Taxes

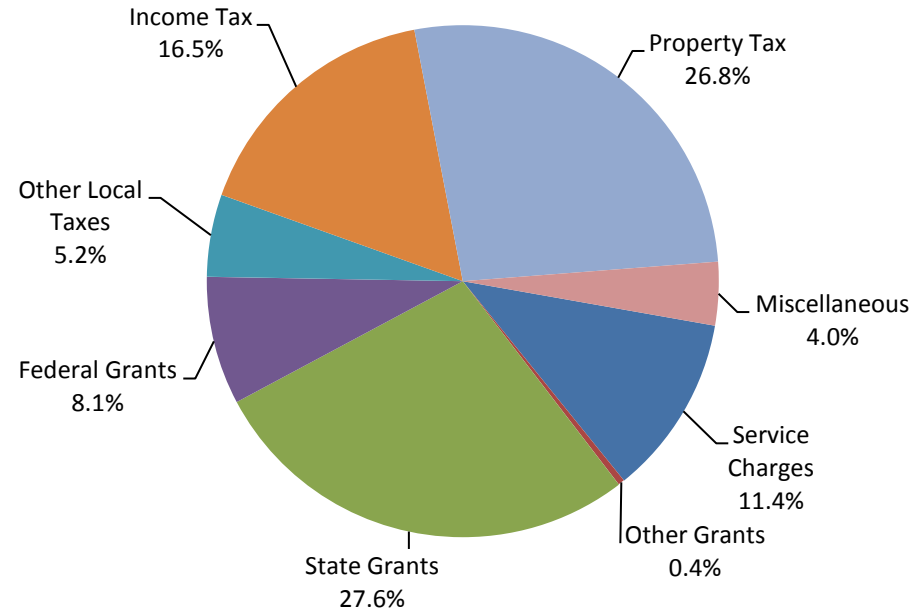
- Additional taxes that are authorized to be imposed by all or some counties, but not by a municipality include:
 - Telecommunications taxes
 - Energy taxes
 - Trailer park taxes
 - Parking lot/boat slip taxes

County Revenue Sources

Fiscal 2012

(\$ in Millions)

Property Tax	\$7,113	26.8%
Income Tax	4,361	16.5%
Other Local Taxes	1,369	5.2%
Intergovernmental		
Federal Grants	2,140	8.1%
State Grants	7,322	27.6%
Other Grants	107	0.4%
Service Charges	3,033	11.4%
Miscellaneous	1,060	4.0%
Total Revenues	\$26,504	100.0%



Leading County Revenue Sources

Largest Source of Revenue

State Grants

Allegany
Baltimore City
Caroline
Cecil
Charles
Dorchester
Frederick
Harford
Prince George's
St. Mary's
Somerset
Washington
Wicomico

Property Taxes

Anne Arundel
Baltimore
Calvert
Carroll
Garrett
Howard
Kent
Montgomery
Queen Anne's
Talbot
Worcester

County Tax Revenues

Fiscal 2012

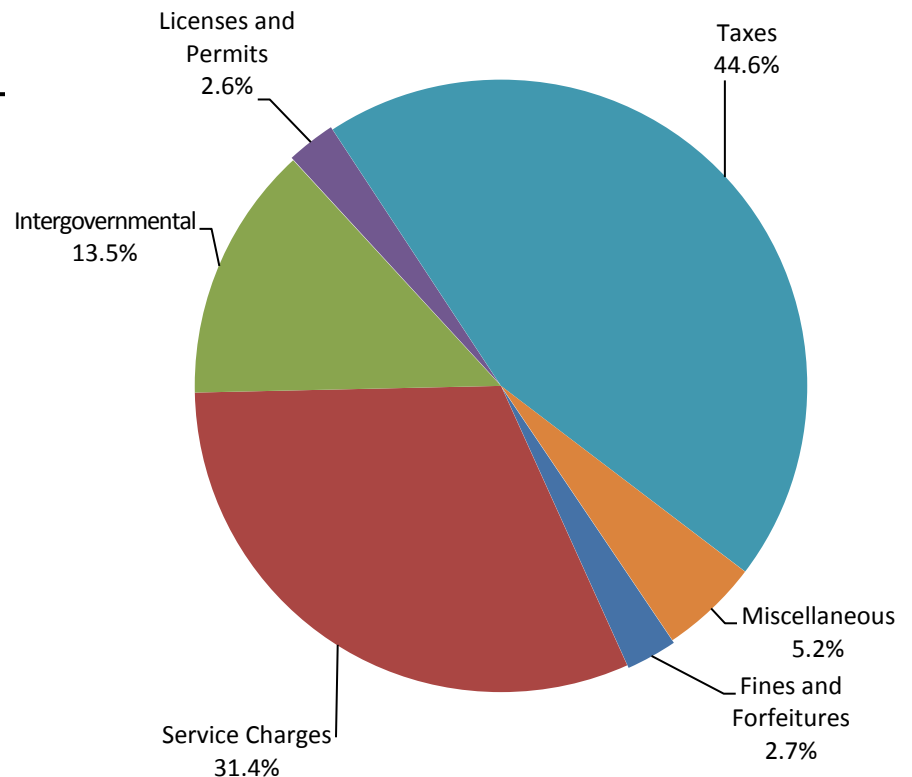
County	Tax Revenue – \$ in millions				Percent of Total Revenue				Per-capita Revenue			
	Property Taxes	Income Taxes	Other Local Taxes	Total Local Taxes	Property Taxes	Income Taxes	Other Local Taxes	Total Local Taxes	Property Taxes	Income Taxes	Other Local Taxes	Total Local Taxes
Allegany	\$43.0	\$24.9	\$3.3	\$71.2	17.5%	10.1%	1.4%	28.9%	\$576	\$333	\$45	\$954
Anne Arundel	596.0	394.5	107.1	1,097.6	28.5%	18.9%	5.1%	52.5%	1,095	725	197	2,016
Baltimore City	763.8	261.9	178.8	1,204.5	20.9%	7.2%	4.9%	33.0%	1,233	423	289	1,944
Baltimore	849.0	593.2	107.6	1,549.7	28.3%	19.7%	3.6%	51.6%	1,048	732	133	1,913
Calvert	146.4	64.2	7.3	217.9	36.4%	16.0%	1.8%	54.2%	1,641	719	82	2,442
Caroline	23.9	11.1	1.6	36.6	20.9%	9.7%	1.4%	31.9%	725	336	48	1,109
Carroll	203.6	127.3	14.9	345.8	31.9%	19.9%	2.3%	54.2%	1,217	761	89	2,067
Cecil	102.1	49.8	4.9	156.8	28.3%	13.8%	1.3%	43.4%	1,004	490	48	1,542
Charles	197.5	97.2	17.0	311.8	29.2%	14.4%	2.5%	46.1%	1,325	652	114	2,091
Dorchester	31.2	10.9	2.8	44.8	26.4%	9.2%	2.4%	38.0%	955	332	86	1,373
Frederick	280.6	169.8	21.5	471.8	28.7%	17.4%	2.2%	48.3%	1,185	717	91	1,993
Garrett	49.9	10.8	6.4	67.1	31.6%	6.9%	4.1%	42.6%	1,660	360	213	2,233
Harford	294.6	179.2	21.2	494.9	30.4%	18.5%	2.2%	51.1%	1,195	727	86	2,008
Howard	506.5	357.3	87.3	951.2	31.1%	22.0%	5.4%	58.4%	1,728	1,219	298	3,245
Kent	30.4	10.3	1.5	42.2	39.1%	13.3%	1.9%	54.3%	1,505	512	73	2,090
Montgomery	1,449.7	1,255.1	495.7	3,200.5	26.0%	22.5%	8.9%	57.5%	1,465	1,268	501	3,234
Prince George's	1,031.0	485.2	226.6	1,742.8	26.1%	12.3%	5.7%	44.2%	1,183	557	260	2,000
Queen Anne's	65.9	36.0	5.8	107.7	33.1%	18.1%	2.9%	54.1%	1,363	744	119	2,226
St. Mary's	100.0	76.3	13.3	189.7	25.5%	19.4%	3.4%	48.3%	931	710	124	1,765
Somerset	15.7	6.2	0.4	22.4	20.0%	7.9%	0.5%	28.5%	598	237	16	851
Talbot	30.0	20.3	8.4	58.7	28.2%	19.0%	7.9%	55.1%	789	533	222	1,544
Washington	122.7	64.6	8.0	195.3	23.2%	12.2%	1.5%	36.9%	828	436	54	1,317
Wicomico	58.5	41.8	4.3	104.6	17.8%	12.7%	1.3%	31.8%	589	422	43	1,055
Worcester	121.2	12.9	23.1	157.3	49.5%	5.3%	9.4%	64.2%	2,354	250	449	3,053
Statewide	\$7,113.3	\$4,360.7	\$1,368.8	\$12,842.9	26.8%	16.5%	5.2%	48.5%	\$1,220	\$748	\$235	\$2,204

Municipal Revenue Sources

Statewide Fiscal 2012

(\$ in Millions)

Revenue Source	Amount	Percent of Total
Property Tax	\$495.2	36.3%
Income Tax	98.6	7.2%
Other Local Taxes	14.9	1.1%
Licenses and Permits	35.0	2.6%
Intergovernmental		
Federal Grants	40.9	3.0%
State Grants	83.3	6.1%
County Grants	59.0	4.3%
Other Grants	1.5	0.1%
Service Charges	429.0	31.4%
Fines and Forfeitures	36.6	2.7%
Miscellaneous	71.4	5.2%
Total Revenues	\$1,365.3	100.0%



Leading Municipal Revenue Sources

Fiscal 2012

Largest Source of Revenue for Municipalities within County

Property Taxes

- Anne Arundel
- Calvert
- Caroline
- Frederick
- Harford
- Kent
- Montgomery
- Prince George's
- Queen Anne's
- Somerset
- Wicomico
- Worcester

Intergovernmental Funds

- Charles
- Dorchester

Service Charges

- Allegany
- Carroll
- Cecil
- Garrett
- St. Mary's
- Talbot
- Washington

Municipal Tax Revenues by County

Fiscal 2012

County	Tax Revenue – \$ in millions				Percent of Total Revenue				Per-capita Revenue			
	Property Taxes	Income Taxes	Other Local Taxes	Total Local Taxes	Property Taxes	Income Taxes	Other Local Taxes	Total Local Taxes	Property Taxes	Income Taxes	Other Local Taxes	Total Local Taxes
Allegany	\$14.3	\$2.5	\$0.2	\$17.0	23.3%	4.1%	0.3%	27.7%	\$424	\$75	\$5	\$504
Anne Arundel	38.0	5.2	1.2	44.5	41.1%	5.7%	1.3%	48.1%	976	134	31	1141
Calvert	4.5	0.9	1.1	6.5	36.3%	7.5%	9.0%	52.8%	578	120	143	841
Caroline	5.9	0.6	0.1	6.6	38.8%	3.8%	0.6%	43.1%	485	47	8	540
Carroll	19.0	5.3	0.3	24.6	34.2%	9.6%	0.6%	44.4%	389	110	6	505
Cecil	13.4	2.1	0.1	15.6	35.1%	5.4%	0.2%	40.7%	454	70	3	527
Charles	5.2	1.4	0.0	6.7	25.2%	7.0%	0.0%	32.2%	406	112	0	519
Dorchester	8.5	0.7	0.1	9.3	26.6%	2.2%	0.3%	29.1%	530	45	6	581
Frederick	51.2	9.8	0.6	61.6	35.5%	6.8%	0.4%	42.7%	517	99	6	622
Garrett	1.6	0.3	0.1	2.1	25.8%	5.3%	1.8%	32.8%	239	49	16	304
Harford	26.4	4.0	0.3	30.7	38.3%	5.9%	0.4%	44.6%	689	105	7	801
Kent	3.5	0.7	0.1	4.3	34.0%	7.0%	1.0%	42.1%	426	88	12	527
Montgomery	76.8	35.1	3.7	115.6	37.4%	17.1%	1.8%	56.4%	480	219	23	722
Prince George's	107.6	21.0	1.9	130.4	56.9%	11.1%	1.0%	69.0%	452	88	8	548
Queen Anne's	2.7	0.5	0.0	3.2	36.7%	6.2%	0.1%	43.0%	409	69	1	479
St. Mary's	0.5	0.4	0.0	0.9	11.3%	9.1%	0.2%	20.6%	172	140	3	315
Somerset	3.4	0.2	0.1	3.6	42.7%	2.2%	0.7%	45.7%	567	30	10	606
Talbot	14.9	1.7	0.1	16.7	19.7%	2.3%	0.1%	22.1%	785	92	3	881
Washington	24.8	3.2	3.0	31.0	23.2%	2.9%	2.8%	28.9%	467	59	57	584
Wicomico	23.4	1.6	0.5	25.5	37.1%	2.5%	0.8%	40.4%	545	37	12	594
Worcester	49.6	1.2	1.5	52.3	33.6%	0.8%	1.0%	35.4%	2,774	67	82	2,923
Statewide	\$495.2	\$98.6	\$14.9	\$608.6	36.3%	7.2%	1.1%	44.6%	\$551	\$110	\$17	\$677