



**Maryland Chamber of Commerce**

## **Legislative Position**

**MC 906 – 09**

**OPPOSE**

**12/11/08**

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#### **Montgomery County - Property Tax – Classes of Property and Special Rates**

**Bill Summary:** This bill would authorize Montgomery County to establish classes of real and personal property and to impose varying rates of taxation on each class.

**Chamber Position:** The Maryland Chamber of Commerce strongly opposes this bill, which would authorize Montgomery County to impose discriminatory levels of taxation on business property.

Since at least 1929, state law has required counties to impose one rate of taxation on all property. The only exceptions to this longstanding policy occurred in 1975, when tax differentials for municipal areas were authorized, and in 2000, when a separate rate of tax was authorized for business personal property as part of the conversion to full value real property assessments. We oppose this bill for the following reasons:

- **Discriminatory tax rates** – A minority of states authorize local governments to impose differential tax rates on varying classes of property. Such laws always result in local governments imposing discriminatory and burdensome levels of taxation on business property, sometimes at levels 2 to 3 times the level of taxation for residential property. Such systems distort the underlying principle of ad valorem taxation, whereby all property owners should pay taxes relative to the value of their property.
- **More business personal property taxation** – In enacting the full value real property assessment law in 2000, the General Assembly capped the county tax rates of business personal property at a level 2.5 times the real property rates. They wisely understood that some counties would readily impose even higher rates of taxation on business personal property given the opportunity. This bill would enable Montgomery County to tax business personal property at any rate – even 5 or 10 times the rate of real property. If the County adopts multiple real property rates it is unclear what tax rate would be applied to business personal property.
- **Loss of classification uniformity** – Section 8-101 of the Tax-Property Article establishes a coherent set of classes and subclasses of property that are used statewide for purposes of property taxation. Authorizing Montgomery County to set its own local classes of property would cause needless complexity and destroy Maryland's longstanding system of property classification. Do you really want to enable the County to set one tax rate for apartments, another for office buildings, and yet another rate for hotels?

(over)

- **Tax burden shifts to business** – In fiscal year 2008 Montgomery County already pushed over \$200 million in property tax burden toward business property as a result of homestead property tax credits granted to owner-occupied residential properties. Although the Office of the Attorney General has repeatedly advised over the past 30 years that this program violates the Maryland Constitution, it has not yet been challenged in court. Enactment of further tax discrimination against business could result in a court challenge of the homestead credit. The County also separately granted a property tax credit of \$579 for each owner-occupied residential property.
- **\$600 million is enough** – Maryland businesses will pay over \$600 million out of the \$1.3 billion in new taxes enacted at the 2007 special session. With the economy mired in a significant recession and job losses mounting, the last thing businesses need is even higher levels of property taxes to be imposed by local governments.

The General Assembly should promote a tax system that encourages job growth and business location in Maryland. This bill does the opposite. For these reasons, we strongly urge an unfavorable report for this bill.

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