THE VOICE OF MONTGOMERY COUNTY BUSINESS

MC-906-09 – SPLIT RATE PROPERTY TAX

MONTGOMERY COUNTY DELEGATION
DECEMBER 11, 2008

OPPOSE

The Montgomery County Chamber of Commerce ("MCCC"), as the voice of Montgomery County business, **opposes MC 906-09, which would provide the Montgomery County Council with the authority to charge different rates on commercial and residential property.** We oppose this legislation because of its negative effect on Montgomery County's competitiveness, the negative message it sends to businesses, and the timing in the midst of a significant national economic downturn.

Let me begin with our concerns regarding competitiveness. Passing this legislation as a Montgomery County only bill would put us in the unenviable position of being at a competitive disadvantage for attracting businesses not only with our neighbors across the river in Virginia but also with our neighbors in Prince George's, Howard, and Frederick counties. Our competitiveness has recently been harmed by the passage of a record tax increase during the 2007 special session which has caused our tax climate ranking to drop from 26th to 45th in business friendliness, according to the tax foundation. In one year, Maryland dropped 21 rankings, while no other State dropped more than three places. Our neighbors in Virginia ranked 15th on this index and also continue to rank 1st on Forbes' list of best states to do business.

We understand that the goal of the legislation is to provide the Council with a mechanism for homeowner tax relief. However, Montgomery County homeowners already benefit from two tax credits which limit increases to their residential property tax bills – first the State's homestead tax credit, which limits the amount of increase in property tax bills year over year, and second, the Montgomery County homeowner credit, set at $579 this year, provides tax relief to homeowners that businesses do not receive. These mechanisms are already used by State and local governments to provide homeowner tax relief, and to shift the property tax burden to businesses. In jurisdictions where a split roll property tax is utilized, such as the District, commercial property tax rates are significantly higher, with commercial property taxed at a rate a full $1.00 higher per $100 of assessable base. This kind of tax increase would have a significant negative impact on the Montgomery County real estate market. This legislation is unnecessary to achieve homeowner property tax relief, and functions only to send a negative message to businesses about Montgomery County's desire to have them located and growing here. In addition, it is important to acknowledge that unless all nine Council Members voted to break the Charter limit, this bill would create no new revenue for County government, and would in no way help address the County's current fiscal challenges.

Lastly, we must acknowledge our current economic condition. In addition to the principled objections on this legislation, there could not be any worse time for this proposal. Businesses large and small are struggling to get loans and vacancy rates are on the rise. Many of these small businesses already operate on thin margins and can ill afford another tax increase. In the commercial real estate market, vacancy rates are nearing 10%, with economic experts expecting them to rise to 12% in 2009. If this delegation wants to allow for the kind of economic growth that will pull us out of this economic downturn, you must not pass this bill.

We urge an unfavorable report on MC 906-09.

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