

ALLEGANY COUNTY CONSTANT YIELD 101



Prepared by the Allegany County Finance Office

March 31, 2011

Constant Yield Explained



§ 6-307

ANNOTATED CODE OF MARYLAND

(j) *Agreements regarding tax setoffs.* — Notwithstanding the provisions of subsections (d), (f), and (g) of this section:

- (1) a county and one or more municipal corporations may enter into an agreement setting different terms or timing for negotiations, calculations, or approval of a tax setoff; and
- (2) a county may grant a tax setoff to a municipal corporation that does not make a request in the fashion described in this section. (An. Code 1957, art. 81, § 32A; 1985, ch. 8, § 2; 1986, ch. 171; 1998, ch. 680.)

Cross references. — As to double taxation of municipalities in certain counties, see § 6-307 of this article.

§ 6-307. Services by a municipal corporation in certain counties.

The governing body of Anne Arundel County or of Howard County may not impose a county property tax on property of a resident of a municipal corporation for any service that the municipal corporation provides for the resident. (An. Code 1957, art. 81, § 12G-8; 1985, ch. 8, § 2.)

Remedy for payment of disputed taxes. — Where disputed taxes under this section were paid, no issue concerning any possible legislative intent to supplant an existing common law or declaratory judgment remedy could arise. *Apostol v. Anne Arundel County*, 288 Md. 667, 421 A.2d 582 (1980).

§ 6-308. Constant yield tax rate.

(a) *"Taxing authority" defined.* — In this section, "taxing authority" means:

- (1) the county council or board of county commissioners;
- (2) the City Council of Baltimore City; and
- (3) the governing body of a municipal corporation.

(b) *In general.* — (1) Unless the requirements of this section are met, a taxing authority may not set a county or municipal corporation real property tax rate that exceeds the constant yield tax rate in any taxable year excluding revenue from real property appearing for the 1st time on the assessment roll.

(2) A taxing authority does not meet the requirements of this section until it provides to the Department:

- (i) on or before 15 days after the date of the advertisement required by this section a copy of the entire newspaper page that carried the meeting notice required by this section; or
- (ii) the evidence that the Department requires of the mailing of the notices described in subsection (c) of this section.

(c) *Notice of rate change.* — If a taxing authority intends to set a county or municipal corporation real property tax rate that exceeds the constant yield tax rate, it shall advertise to the public by:

- (1) placing an advertisement that satisfies the Department and meets the requirements of this section in a newspaper of general circulation in the jurisdiction of the taxing authority; or
- (2) mailing a notice that meets the requirements of this section to each property taxpayer who resides in the jurisdiction.

TAX - PROPERTY

§ 6-308

(d) *Style and placement of advertising.* — (1) The advertisement shall be at least $\frac{1}{4}$ of a page in size for counties and $\frac{1}{8}$ of a page in size for municipal corporations.

(2) The type that is used in the advertisement shall be:

- (i) at least 18 point for counties; and
- (ii) at least 12 point for municipal corporations.

(3) The advertisement may not be placed with legal notices or classified advertisements.

(4) The headline for the advertisement shall be in bold print, with all letters capitalized.

(5) The text of the advertisement, other than the headline, shall be in upper and lower case letters.

(e) *Form of notice or advertisement.* — The notice or advertisement shall be in the following form:

..... (NAME OF JURISDICTION) NOTICE OF A PROPOSED REAL PROPERTY TAX INCREASE

The (name of taxing authority) of (name of jurisdiction) proposes to increase real property taxes.

1. For the tax year beginning July 1,, the estimated real property assessable base will increase by%, from \$..... to \$.....

2. If (name of jurisdiction) maintains the current tax rate of \$..... per \$100 of assessment, real property tax revenues will increase by% resulting in \$..... of new real property tax revenues.

3. In order to fully offset the effect of increasing assessments, the real property tax rate should be reduced to \$....., the constant yield tax rate.

4. The (county, city, town, etc.) is considering not reducing its real property tax rate enough to fully offset increasing assessments. The (county, city, town, etc.) proposes to adopt a real property tax rate of \$..... per \$100 of assessment. This tax rate is% higher than the constant yield tax rate and will generate \$..... in additional property tax revenues.

A public hearing on the proposed real property tax rate increase will be held at (time) on (date) at (location).

The hearing is open to the public, and public testimony is encouraged.

Persons with questions regarding this hearing may call (phone number) for further information.

(f) *Date of meeting.* — (1) The meeting on the proposed county or municipal corporation real property tax rate increase shall be held:

- (i) on or after the 7th day and on or before the 21st day after the notice is published as required by subsection (c) of this section; and
- (ii) on or before June 17th before the date required by law for imposition of the real property tax.

(2) The meeting may coincide with the meeting on the proposed budget of the taxing authority.

Constant Yield Explained



- As explained in The Annotated Code of Maryland Section 6-308, counties and municipalities may not “set a county or municipal corporation real property tax rate that exceeds the constant yield tax rate in any taxable year...unless there is an advertisement of a rate change.”

Constant Yield Explained



- Constant Yield represents the real property tax rate for the coming tax year that will generate the same amount of revenue that was generated during the current tax year.

Constant Yield Explained



- If assessments go up, the Constant yield rate will move down, but if assessments go down, the Constant yield rate would actually be an increase from the prior year rate.

Constant Yield Explained



- The State of Maryland Annotated Code requires a taxing authority to advertise and hold a public hearing if it intends to impose a real property tax rate that is higher than the state calculated constant yield rate, **even if that rate is the same as a prior year** .

Constant Yield Explained



- Tax Differential is also affected by the Constant Yield, as Allegany County still has to build tax differential into the rates after the Constant Yield calculation.

RECEIVED

FEB 16 2011

ALLEGANY COUNTY
FINANCE DEPT.

February 8, 2011

State of Maryland
Department of Assessments and Taxation



2011 Constant Yield Tax Rate Certification

Taxing authority: **Allegany County**
Excluding towns

1	1-Jul-2010	Gross assessable real property base	\$	2,241,713,450
2	1-Jul-2010	Homestead Tax Credit	-	<u>107,565,450</u>
3	1-Jul-2010	Net assessable real property base		2,134,148,000
4	1-Jul-2010	Actual local tax rate (per \$100)	x	<u>0.9829</u>
5	1-Jul-2010	Potential revenue	\$	20,976,541
6	1-Jul-2011	Estimated assessable base	\$	2,230,235,188
7	1-Jan-2011	Half year new construction	-	2,396,533
8	1-Jul-2011	Estimated full year new construction*	-	3,500,000
9	1-Jul-2011	Estimated abatements and deletions**	-	<u>51,074,906</u>
10	1-Jul-2011	Net assessable real property base	\$	2,173,263,749
11	1-Jul-2010	Potential revenue	\$	20,976,541
12	1-Jul-2011	Net assessable real property base	÷	2,173,263,749
13	1-Jul-2011	Constant yield tax rate	\$	<input type="text" value="0.9652"/>

The State of Maryland sends us this certification annually that calculates what our constant yield will be. We get a total of 8 certifications, 1 for unincorporated and 7 for municipalities.

Certified by


Director

* Includes one-quarter year new construction where applicable.

**Actual + estimated as of July 1, 2011, including Homestead Tax Credit.

Constant Yield Explained



- If we do not advertise and hold a hearing on our intention of imposing any rate that is more than the constant yield, the State of Maryland has the ability to lock us into the constant yield rate for not following their guidelines.
- Constant Yield is one decision that the Commissioners must make on an annual basis.