

FY2026 Tax Differential

History of the Tax Differential for Charles County:

In the State of Maryland, most counties and municipalities (including Charles County) are governed by Section 6-306 of the Tax –Property Article of the Annotated Code of Maryland. This law requires the governing bodies to meet and confer on an annual basis regarding a form of compensation for government services that are provided by the municipal government.

To compensate municipalities for services, many counties implement a tax differential (tax credit) on the residents' tax bills or provide a tax rebate to the municipality.

- Charles County implements a tax differential method based on County government services net of associated program revenue which are then prorated to an amount that would be funded by the general property tax rate
- The value of the services is calculated to equate to a property tax credit rate which is then applied to the County tax bill
- In the past, the municipalities of La Plata and Indian Head have chosen the tax differential method over a cash grant from the County
- The Difference being:
 - Tax differential gives the County Residents a credit on their tax bill
 - And the grant gives the funds to the Town to appropriate as part of their budget

The FY2026 Tax Differential Calculation:

The Town of La Plata:

- This year's calculation is \$0.126 per \$100 of assessed value
- Last year's calculation is \$0.124 per \$100 of assessed value
 - For FY2025, the Commissioners approved the FY2022 rate of \$0.142 per \$100 assessed value

The Town of Indian Head:

- This year's calculation is \$0.024 per \$100 of assessed value
- Last year's calculation is \$0.025 per \$100 of assessed value
 - For FY2025, the Commissioners approved the FY2021 rate of \$0.039 per \$100 assessed value

Tax Differential History

Calculated Rate vs Approved Rate

Town of La Plata:

	Calculated Rate	Approved Rate	Variance	Notes
FY 16	\$0.1340	\$0.1340	\$0.0000	
FY 17	\$0.1350	\$0.1350	\$0.0000	
FY 18	\$0.1300	\$0.1300	\$0.0000	
FY 19	\$0.1390	\$0.1390	\$0.0000	
FY 20	\$0.1350	\$0.1350	\$0.0000	
FY 21	\$0.1390	\$0.1390	\$0.0000	
FY 22	\$0.1420	\$0.1420	\$0.0000	
FY 23	\$0.1360	\$0.1420	(\$0.0060)	Approved FY2022 rate
FY 24	\$0.1320	\$0.1420	(\$0.0100)	Approved FY2022 rate
FY 25	\$0.1240	\$0.1420	(\$0.0180)	Approved FY2022 rate
FY 26	\$0.1260	TBD		

Town of Indian Head:

	Calculated Rate	Approved Rate	Variance	Notes
FY 16	\$0.0540	\$0.0540	\$0.0000	
FY 17	\$0.0450	\$0.0450	\$0.0000	
FY 18	\$0.0410	\$0.0410	\$0.0000	
FY 19	\$0.0380	\$0.0380	\$0.0000	
FY 20	\$0.0380	\$0.0380	\$0.0000	
FY 21	\$0.0390	\$0.0390	\$0.0000	
FY 22	\$0.0260	\$0.0390	(\$0.0130)	Approved FY2021 rate
FY 23	\$0.0300	\$0.0390	(\$0.0090)	Approved FY2021 rate
FY 24	\$0.0310	\$0.0390	(\$0.0080)	Approved FY2021 rate
FY 25	\$0.0250	\$0.0390	(\$0.0140)	Approved FY2021 rate
FY 26	\$0.0240	TBD		

FISCAL NOTE:

Examples of the tax differential on a average assessed residential property for each Town.*

<u>Current Rate</u>	<u>La Plata</u>	<u>Indian Head</u>
Assessment	\$470,000	\$320,000
County tax rate per \$100 assessed	\$1.1410	\$1.1410
County Tax Bill	<u>\$5,362.70</u>	<u>\$3,651.20</u>
Tax differential rate	\$0.1420	\$0.0390
Tax Differential Credit	<u>(\$667.40)</u>	<u>(\$124.80)</u>
Net County Tax Bill	<u>\$4,695.30</u>	<u>\$3,526.40</u>
 <u>Calculated Rate</u>		
Assessment	\$470,000	\$320,000
County tax rate	\$1.1410	\$1.1410
County Tax Bill	<u>\$5,362.70</u>	<u>\$3,651.20</u>
Tax differential rate	\$0.1260	\$0.0240
Tax Differential Credit	<u>(\$592.20)</u>	<u>(\$76.80)</u>
Net County Tax Bill	<u>\$4,770.50</u>	<u>\$3,574.40</u>

Difference between current rate & calculated rate

Average tax bill increase if went to the Calculated rate:	\$75.20	\$48.00
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*Countywide average assessed residential property is \$445,000.

LA PLATA, MD FY2026 PROPOSED TAX DIFFERENTIAL RATE

RATE CALCULATION:

		<u>FY26</u>	<u>FY25</u>
Net expenditures funded by Property Taxes	\$2,316,985 =	<u>\$0.126</u>	\$0.124
divided by La Plata Net Assessable Base	<u>\$1,835,255,404</u>		

For FY2025, the Commissioners approved the FY2022 rate of \$0.142 per \$100 of assessed value.

TAX DIFFERENTIAL FORMULA:

Department:	FY26 Costs Funded by Prop. Taxes	FY25 Costs Funded by Prop. Taxes	Percent Change
Sheriff's Office - Police	\$1,809,815	<u>\$1,546,824</u>	17.0%
Planning and Growth Mgmt.	118,665	<u>109,592</u>	8.3%
Public Works.- Facility Maint.	192,885	<u>196,016</u>	-1.6%
Public Works.- Roads	117,547	<u>89,483</u>	31.4%
Subtotal	\$2,238,912	<u>\$1,941,915</u>	15.3%
General Government Allocation	78,073	<u>74,442</u>	4.9%
Total	<u>\$2,316,985</u>	<u><u>\$2,016,357</u></u>	<u>14.9%</u>

Department:	Program Cost	Program Revenue	Net Program Costs	La Plata as a % of the County
Sheriff's Office - Police	\$49,959,314 ¹	\$1,196,789 ⁴	<u>\$48,762,525</u>	<u>\$3,545,913</u>
Planning and Growth Mgmt.	4,223,852 ²	1,026,615 ⁵	<u>3,197,237</u>	<u>232,497</u>
Public Works.- Facility Maint.	5,889,859 ³	692,873 ⁶	<u>5,196,986</u>	<u>377,914</u>
Public Works.- Roads	6,078,083	2,910,982 ⁷	<u>3,167,101</u>	<u>230,305</u>
Subtotal	\$66,151,108	\$5,827,259	<u>\$60,323,849</u>	<u>\$4,386,629</u>
General Government Allocation			<u>2,103,550 ⁸</u>	<u>152,966</u>
Total			<u><u>\$62,427,399</u></u>	<u><u>\$4,539,595</u></u>

Percent of the budget funded by property taxes	<u>51.04%</u>
Amount funded by property taxes	<u><u>\$2,316,985</u></u>

FACTORS AFFECTING THE DIFFERENTIAL RATE:

1. Growth of Assessments within the Town compared to County Growth Rate:

	<u>FY26</u>	<u>FY25</u>	<u>% change</u>
La Plata Estimated Assessable Base divided by	\$1,835,255,404	\$1,631,566,010	12.48%
Total County Estimated Assessable Base	\$25,237,985,055	\$23,543,507,808	7.20%
Ratio	7.27%	6.93%	

2. The ratio of the County Costs that are Funded by Property Taxes:

	<u>FY26</u>	<u>FY25</u>	<u>% change</u>
Total Co. Real & Personal Property Taxes	\$267,881,789	\$254,569,397	5.23%
divided by Co. Finance Sources	\$524,852,330	\$492,521,408	6.56%
Ratio	51.04%	51.69%	

1. Police Protection:

Sheriff Dept.	\$99,421,520
Less: 25% Non-Police Activity	(24,855,380)
Total Police Protection	\$74,566,140
Total Police @ 33% for town support (per CCSO)	<u>\$49,959,314</u>

2. Planning and Growth Management:

Infrastructure Management	\$166,132
Administration	1,221,457
Planning	2,475,649
Resource & Infrastructure Management	0
Codes & Permits	360,613
Total	<u>\$4,223,852</u>

3. Public Works - Facilities, and Recreation, Parks and Tourism:

Park Maintenance	\$4,308,636
Administration	518,519
Vehicle Maintenance	1,062,704.03
Total	<u>\$5,889,859</u>

4. Police Protection Revenues:

State Aid for Police Prot.	\$2,092,110
Other Sheriff Fees	276,106
HIDTA	46
Aid for Transportation	6,038
Other miscellaneous grants	0
Parking Fines	7,370
Total	\$2,381,670
Less: 25% for non-police activities	(\$595,417)
Net Police Protection Revenue	\$1,786,252
Total Police @ 33% for town support (per CCSO)	<u>\$1,196,789</u>

5. Planning & Growth Mgmt. Revenues:

Sale of Maps & Publications	\$307
Special Exception Application Fee	2,150
SDAR Review	34,857
APF Fees	8,420
Cultural	10,874
General Planning Review	267,261
Forest Conservation Program Fees	12,445
Home Owner's Dispute App	355
Critical Area Fee	12,203
Elect Exams	22,078
Building Permits	464,972
Building Permit Fine	83,012
Zoning Enforcement	10,400
Planing & Zoning Inspection Fee	10,962
Zoning Certificate Permits	86,319
Total	<u>\$1,026,615</u>

6. Public Works Facilities and Recreation, Parks, and Tourism Revenue:

Administration Fees	\$8,500
Custodial/Ground Fees	40,033
Park Fees	644,339
Total	<u>\$692,873</u>

7. Road Maintenance Revenue:

Aid for Transportation	0
Highway User Tax	\$2,910,982
	<u>\$2,910,982</u>

8. General Government Allocation:

Duplicated Programs/Total Co. Oper.	9.01%
x Gen. Govt. Expenditures	\$23,355,431
Total	<u>\$2,103,550</u>

Total County Operating Funds:

General Fund	\$499,012,420	
Enterprise Funds	123,601,198	
Capital Projects Funds	54,712,883	
Special Revenue Funds	57,140,333	
Total County Operating		<u>\$734,466,834</u>

General Government Expenditures:

General Government	\$1,628,463	
Legislative	3,258,309	
Financial & Information Technology	14,534,272	
Human Resources	1,705,191	
County Attorney	2,229,196	
Total Gen. Govt. Expend.		<u>\$23,355,431</u>

INDIAN HEAD, MD FY2026 PROPOSED TAX DIFFERENTIAL RATE

RATE CALCULATION:

Expenditures funded by Property Taxes	\$107,955 =	<u>FY26</u>	<u>FY25</u>
divided by Indian Head Net Assessable Base	<u>\$442,037,745</u>	<u>\$0.024</u>	\$0.025

For FY2025, the Commissioners approved the FY2021 rate of \$0.039 per \$100 of assessed value.

TAX DIFFERENTIAL FORMULA:

	FY26 Funded by Prop. Taxes	FY25 Funded by Prop. Taxes	Percent
Planning & Growth Mgmt.	\$28,582	\$26,748	6.9%
Public Works.- Facility Maint.	46,458	48,451	-4.1%
Public Works.- Roads	28,312	22,118	28.0%
Subtotal	103,352	\$97,317	6.2%
General Government Allocation	4,603	4,595	0.2%
Total	\$107,955	\$101,912	5.9%

Department:	Program Cost	Program Revenue	Net Program Costs	Indian Head as a % of the County 1.75%
Planning & Growth Mgmt.	\$4,223,852 ¹	\$1,026,615 ³	\$3,197,237	\$55,999
Public Works.- Facility Maint.	5,889,859 ²	692,873 ⁴	5,196,986	91,024
Public Works.- Roads	6,078,083	2,910,982 ⁵	3,167,101	55,471
Subtotal	\$16,191,794	\$4,630,470	\$11,561,324	\$202,494
General Government Allocation			514,885 ⁶	9,018
Total			\$12,076,210	\$211,512
Percent of the budget funded by property taxes				51.04%
Amount funded by property taxes				<u>\$107,955</u>

FACTORS EFFECTING THE DIFFERENTIAL RATE:

1. Growth of Assessments within Town compared to County Growth Rate:

	<u>FY 26</u>	<u>FY 25</u>	<u>% change</u>
Indian Head Estimated Net Assessable Base divided by	\$442,037,745	\$403,287,298	9.61%
Total County Estimated Net Assessable Base	\$25,237,985,055	\$23,543,507,808	7.20%
Ratio	1.75%	1.71%	

2. How much of the County Costs are Funded by Property Taxes:

	<u>FY 26</u>	<u>FY 25</u>	<u>% change</u>
Total Real & Personal Property Taxes	\$267,881,789	\$254,569,397	5.23%
divided by Co. Finance Sources	\$524,852,330	\$492,521,408	6.56%
Ratio	51.04%	51.69%	

1. Planning & Growth Mgmt.:

Inspection & Enforcement	\$166,132
Administration	1,221,457
Planning	2,475,649
Codes & Permits	360,613
Total	<u>\$4,223,852</u>

2. Public Works - Facilities:

Park Maintenance	\$4,308,636
Administration	518,519
Vehicle Maintenance	1,062,704
Total	<u>\$5,889,859</u>

3. Planning and Growth Mgmt. Revenue:

Sale of Maps & Publications	\$307
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4. Public Works - Facilities Revenue:

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5. Road Maintenance Revenue:

Highway User Tax	\$2,910,982
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Duplicated Programs/Total Co. Oper.	2.20%
x Gen. Govt. Expenditures	\$23,355,431
Total	<u>\$514,885</u>

Total County Operating Funds:

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