

# FY2027 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 FY2027 Tax Differential Calculation:

### The Town of La Plata:

- This year's calculation is \$0.118 per \$100 of assessed value
- Last year's calculation was \$0.126 per \$100 of assessed value (approved by Commissioners)

### The Town of Indian Head:

- This year's calculation is \$0.029 per \$100 of assessed value
- Last year's calculation was \$0.024 per \$100 of assessed value (approved by Commissioners)

# 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	\$0.1260	\$0.0000	
FY 27	\$0.1180	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	\$0.0240	\$0.0000	
FY 27	\$0.0290	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	\$456,000	\$330,000
County tax rate per \$100 assessed	\$1.1410	\$1.1410
County Tax Bill	<u>\$5,202.96</u>	<u>\$3,765.30</u>
Tax differential rate	\$0.1260	\$0.0240
Tax Differential Credit	(\$574.56)	(\$79.20)
Net County Tax Bill	<u>\$4,628.40</u>	<u>\$3,686.10</u>
<b>Calculated Rate</b>		
Assessment	\$456,000	\$330,000
County tax rate	\$1.1410	\$1.1410
County Tax Bill	<u>\$5,202.96</u>	<u>\$3,765.30</u>
Tax differential rate	\$0.1180	\$0.0290
Tax Differential Credit	(\$538.08)	(\$95.70)
Net County Tax Bill	<u>\$4,664.88</u>	<u>\$3,669.60</u>

### Difference between current rate & calculated rate

Average tax bill increase if went to the Calculated rate: \$36.48 (\$16.50)

\*Countywide average assessed residential property is \$478,000.

# LA PLATA, MD FY2027 PROPOSED TAX DIFFERENTIAL RATE

## RATE CALCULATION:

		<b>FY27</b>	<b>FY26</b>
Net expenditures funded by Property Taxes	\$2,427,777 =	<b><u>\$0.118</u></b>	\$0.126
divided by La Plata Net Assessable Base	<u>\$2,056,621,957</u>		

For FY2026, the Commissioners approved a decrease to \$0.126 per \$100 of assessed value.

## TAX DIFFERENTIAL FORMULA:

Department:	FY27 Costs Funded by Prop. Taxes	FY26 Costs Funded by Prop. Taxes	Percent Change
Sheriff's Office - Police	\$1,777,484	\$1,809,815	-1.8%
Planning and Growth Mgmt.	139,346	118,665	17.4%
Public Works.- Facility Maint.	219,445	192,885	13.8%
Public Works.- Roads	216,813	117,547	84.4%
Subtotal	<u>\$2,353,088</u>	<u>\$1,941,915</u>	21.2%
General Government Allocation	<u>74,689</u>	<u>74,442</u>	0.3%
Total	<u>\$2,427,777</u>	<u>\$2,016,357</u>	<u>20.4%</u>

Department:	Program Cost	Program Revenue	Net Program Costs	La Plata as a % of the County 7.69%
Sheriff's Office - Police	\$47,160,878 <sup>1</sup>	\$1,143,071 <sup>4</sup>	\$46,017,807	\$3,540,810
Planning and Growth Mgmt.	4,779,345 <sup>2</sup>	1,171,774 <sup>5</sup>	3,607,571	277,582
Public Works.- Facility Maint.	6,363,379 <sup>3</sup>	682,094 <sup>6</sup>	5,681,285	437,143
Public Works.- Roads	8,984,666	3,371,532 <sup>7</sup>	5,613,134	431,899
Subtotal	<u>\$67,288,268</u>	<u>\$6,368,470</u>	<u>\$60,919,797</u>	<u>\$4,687,434</u>
General Government Allocation			1,933,648 <sup>8</sup>	148,783
Total			<u>\$62,853,446</u>	<u>\$4,836,218</u>

Percent of the budget funded by property taxes	50.20%
Amount funded by property taxes	<u>\$2,427,777</u>

**FACTORS AFFECTING THE DIFFERENTIAL RATE:**

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

	<u>FY27</u>	<u>FY26</u>	<u>% change</u>
La Plata Estimated Assessable Base divided by	\$2,056,621,957	\$1,835,255,404	12.06%
Total County Estimated Assessable Base	<u>\$26,728,692,984</u>	<u>\$25,237,985,055</u>	5.91%
<b>Ratio</b>	<b>7.69%</b>	<b>7.27%</b>	

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

	<u>FY27</u>	<u>FY26</u>	<u>% change</u>
Total Co. Real & Personal Property Taxes	\$288,640,599	\$267,881,789	7.75%
divided by Co. Finance Sources	<u>\$574,982,163</u>	<u>\$524,852,330</u>	9.55%
<b>Ratio</b>	<b>50.20%</b>	<b>51.04%</b>	

**1. Police Protection:**

Sheriff Dept.	\$101,421,244
Less: 25% Non-Police Activity	(25,355,311)
<b>Total Police Protection</b>	<u>\$76,065,933</u>
<b>Total Police @ 38% for town support (per CCSO)</b>	<u>\$47,160,878</u>

**2. Planning and Growth Management:**

Infrastructure Management	\$164,241
Administration	1,045,474
Planning	2,782,624
Resource & Infrastructure Management	0
Codes & Permits	787,006
<b>Total</b>	<u>\$4,779,345</u>

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

Park Maintenance	\$4,634,452
Administration	645,645
Vehicle Maintenance	1,083,282
<b>Total</b>	<u>\$6,363,379</u>

**4. Police Protection Revenues:**

State Aid for Police Prot.	\$2,214,815
Other Sheriff Fees	224,679
HIDTA	0
Aid for Transportation	9,883
Other miscellaneous grants	0
Parking Fines	8,841
<b>Total</b>	<u>\$2,458,218</u>
Less: 25% for non-police activities	(\$614,555)
<b>Net Police Protection Revenue</b>	<u>\$1,843,664</u>
<b>Total Police @ 38% for town support (per CCSO)</b>	<u>\$1,143,071</u>

5. Planning & Growth Mgmt. Revenues:

Sale of Maps & Publications	\$84
Special Exception Application Fee	20,655
SDAR Review	45,098
APF Fees	27,290
Cultural	10,161
General Planning Review	331,518
Forest Conservation Program Fees	18,662
HOA Public Hearing	836
Critical Area Fee	16,339
Critical Area Fine	250
Elect Exams	25,059
Building Permits	457,747
Building Permit Fine	101,491
Zoning Enforcement	6,455
Planing & Zoning Inspection Fee	16,139
Zoning Certificate Permits	93,494
Bond Reduction Fees	496
<b>Total</b>	<b><u>\$1,171,774</u></b>

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

Administration Fees	\$6,385
Custodial/Ground Fees	15,200
Park Fees	660,508
<b>Total</b>	<b><u>\$682,094</u></b>

7. Road Maintenance Revenue:

Aid for Transportation	0
Highway User Tax	\$3,371,532
<b>Total</b>	<b><u>\$3,371,532</u></b>

8. General Government Allocation:

Duplicated Programs/Total Co. Oper.	7.93%
x Gen. Govt. Expenditures	\$24,397,264
<b>Total</b>	<b><u>\$1,933,648</u></b>

Total County Operating Funds:

General Fund	\$535,973,266
Enterprise Funds	168,138,955
Capital Projects Funds	82,643,975
Special Revenue Funds	62,234,626
<b>Total County Operating</b>	<b><u>\$848,990,822</u></b>

General Government Expenditures:

General Government	\$873,889
Legislative	3,563,130
Financial & Information Technology	16,306,723
Human Resources	2,073,919
County Attorney	1,579,603
<b>Total Gen. Govt. Expend.</b>	<b><u>\$24,397,264</u></b>

# INDIAN HEAD, MD FY2027 PROPOSED TAX DIFFERENTIAL RATE

## RATE CALCULATION:

		<u>FY27</u>	<u>FY26</u>
Expenditures funded by Property Taxes	\$134,219 =	<b><u>\$0.029</u></b>	\$0.024
divided by Indian Head Net Assessable Base	\$461,644,942		

For FY2026, the Commissioners approved a decrease to \$0.024 per \$100 of assessed value.

## TAX DIFFERENTIAL FORMULA:

	FY27 Funded by Prop. Taxes	FY26 Funded by Prop. Taxes	Percent
Planning & Growth Mgmt.	\$31,279	\$28,582	9.4%
Public Works.- Facility Maint.	49,258	46,458	6.0%
Public Works.- Roads	48,667	28,312	71.9%
Subtotal	129,205	\$103,352	25.0%
General Government Allocation	5,015	4,603	9.0%
Total	\$134,219	\$107,955	24.3%

Department:	Program Cost	Program Revenue	Net Program Costs	Indian Head as a % of the County 1.73%
Planning & Growth Mgmt.	\$4,779,345 <sup>1</sup>	\$1,171,774 <sup>3</sup>	\$3,607,571	\$62,308
Public Works.- Facility Maint.	6,363,379 <sup>2</sup>	682,094 <sup>4</sup>	5,681,285	98,124
Public Works.- Roads	8,984,666	3,371,532 <sup>5</sup>	5,613,134	96,947
Subtotal	\$20,127,389	\$5,225,399	\$14,901,991	\$257,380
General Government Allocation			578,396 <sup>6</sup>	9,990
Total			\$15,480,387	\$267,370
Percent of the budget funded by property taxes				50.20%
Amount funded by property taxes				\$134,219

## FACTORS EFFECTING THE DIFFERENTIAL RATE:

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

	<u>FY27</u>	<u>FY26</u>	<u>% change</u>
Indian Head Estimated Net Assessable Base divided by	\$461,644,942	\$442,037,745	4.44%
Total County Estimated Net Assessable Base	\$26,728,692,984	\$25,237,985,055	5.91%
<b>Ratio</b>	<b>1.73%</b>	<b>1.75%</b>	

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

	<u>FY27</u>	<u>FY26</u>	<u>% change</u>
Total Real & Personal Property Taxes	\$288,640,599	\$267,881,789	7.75%
divided by Co. Finance Sources	\$574,982,163	\$524,852,330	9.55%
<b>Ratio</b>	<b>50.20%</b>	<b>51.04%</b>	

1. Planning & Growth Mgmt.:	
Inspection & Enforcement	\$164,241
Administration	1,045,474
Planning	2,782,624
Codes & Permits	787,006
<b>Total</b>	<b><u>\$4,779,345</u></b>

2. Public Works - Facilities:	
Park Maintenance	\$4,634,452
Administration	645,645
Vehicle Maintenance	1,083,282
<b>Total</b>	<b><u>\$6,363,379</u></b>

3. Planning and Growth Mgmt. Revenue:	
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Special Exception Application Fee	20,655
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Home Owner's Dispute App	0
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<b>Total</b>	<b><u>\$1,171,774</u></b>

4. Public Works - Facilities Revenue:	
Administration Fees	\$6,385
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<b>Total</b>	<b><u>\$682,094</u></b>

5. Road Maintenance Revenue:	
Highway User Tax	\$3,371,532

6. General Government Allocation:	
Duplicated Programs/Total Co. Oper.	2.37%
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<b>Total</b>	<b><u>\$578,396</u></b>

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