



State of Maryland

DEPARTMENT OF ASSESSMENTS AND TAXATION

Office of the Director

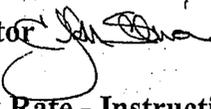
MARTIN O'MALLEY
Governor

C. JOHN SULLIVAN, JR.
Director

WILTON P. STANSBURY, JR.
Deputy Director

February 14, 2008

MEMORANDUM

To: All Municipal Taxing Authorities
From: C. John Sullivan, Jr., Director 
Re: 2008/09 Constant Yield Tax Rate - Instructions

RECEIVED
CITY CLERK'S OFFICE
2008 FEB 19 AM 11:38

The Department of Assessments and Taxation is charged with administering the Constant Yield Tax Rate law. The law is found in two separate sections of the Tax-Property Article, §§ 2-205 and 6-308. The latter contains the provisions that must be followed by taxing authorities. We are here to answer your questions and assist you in complying with this law.

Municipal corporations may set any tax rate for personal property without regard to the constant yield tax rate process. However, failure to comply with the constant yield tax rate law could have serious consequences for your jurisdiction. If the notice requirements are not fulfilled, the Department must notify the Attorney General, who has required jurisdictions to lower their real property tax rates.

Concept:

The constant yield tax rate is calculated by the Department for each taxing authority in the State. It 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. As assessments increase, the constant yield tax rate decreases. Implicit in this concept is the idea that *a tax rate at or below the existing tax rate is a tax increase if it is higher than the constant yield tax rate.* When a taxing authority plans to impose a real property tax rate that is higher than the constant yield tax rate, it must advertise the tax increase and hold a public hearing. If the taxing authority plans to set a real property tax rate at the current level, but above the constant yield tax rate, it must be advertised and a hearing must be held.

Procedures:

The law establishes very strict procedures governing the advertisement and the public hearing. Further, the law requires that the Department of Assessments and Taxation monitor the advertising and hearing process and report to the Attorney General any apparent violations. In the past, violations have resulted in jurisdictions being ordered to reduce the tax rate after tax bills had been issued. To avoid violating the law, you must comply with the following procedures:

To: All Municipal Taxing Authorities
February 14, 2008
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1. **Notice or Advertisement (2 options):** (1) Mail the proper notice to each real property taxpayer who resides in your jurisdiction; or (2) place an advertisement in a newspaper of general circulation in your jurisdiction. If you want to mail the notice to each resident, please contact the Department for prior approval and guidance.
2. **Form of the Notice or Advertisement:** The language is specified word for word in the statute. An ad that deviates from the statutory requirements does not meet the requirements of the law and will be referred to the Attorney General for action. A sample notice with instructions and calculations for the arithmetic (Form CYTR #3) are included in this package. The wording in the statute is required and may not be modified. No part of this notice may be omitted. Additional language consistent with the intent of the law will be permitted (e.g. information regarding access to the hearing for the disabled). *Additional language designed to recast a tax rate in excess of the constant yield tax rate as anything other than a tax increase is contrary to the intent of the constant yield tax rate law and is not acceptable. It does not matter whether the additional language is within or outside the border of the required notice.* In order to minimize your advertising costs and avoid needless litigation, please use only the language required by law. If you have any question about the acceptability of additional language, contact Ms. Laura Kittel at the address on the following page.

If you are using the same tax rate as last year, please note that the percentage change in Section 1 and Section 2 of the advertisement will be the same but may be different than Section 4. Even though the calculations for the new real property tax revenues generated in Section 2 and Section 4 will vary due to rounding, please use the figure from Section 2 in both sections. Please use whole dollars in the advertisement and round to one decimal place in the percent changes.

We will gladly review any advertisement prior to publication. The advertisement will be checked for any errors in the text and calculations, and any additional language will be reviewed. If you wish, we will write your advertisement for you if you furnish us with your proposed tax rate(s). We will attempt to get the advertisement back to you by the next work day. Whenever possible, you will receive a response from us the same day we receive it. Please contact Ms. Kittel for additional information.

3. **Style and Placement of the Advertisement:** The ad must be at least 1/8th of a page with 12 point type. The notice must not be placed on pages with legal notices or classified advertisements. The headline must be in bold face with all capital letters. The text of the advertisement must be in regular face with mixed case letters. Be sure to emphasize these requirements with the newspaper. The sample notice enclosed shows the correct form for the advertisement.
4. **Timing of the Advertisement and Hearing:** The hearing must be held on or after the 7th day and on or before the 21st day after the notice is published. Do not count the day of the notice or advertisement, but count the day of the hearing and all intervening calendar days, including Saturdays, Sundays, and holidays. This means that the advertisement must appear between one and three weeks before the hearing. The hearing must be held on or before June 17 before the date required by law for imposition of the

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property tax. This means that the absolute latest the advertisement can be published is June 10 for a June 17 hearing.

5. **Reporting to the Department:** The taxing authority must provide a copy of the *entire* newspaper page that carried the notice or evidence that the notice was mailed to each property taxpayer. A photocopy of the newspaper page or just the advertisement itself are not acceptable. Please use the enclosed Form CYTR #2. This must be sent to the Department within 15 days of the date of the advertisement. We strongly recommend that you send the Department a copy of the notice as soon as it is published, especially if the Department has not reviewed the advertisement prior to publication. We review all advertisements as soon as they are received so that if the advertisement does not conform to the law you may have time to republish it and hold a new hearing before the June 17 deadline. Failure to properly report to the Department is noncompliance that must be referred to the Attorney General.
6. **Setting the Rate:** The real property tax rate must be set at the constant yield tax rate hearing, or at a later time if the day, time, and location the tax rate will be set is announced at the hearing. The personal property tax rate can be set at any time consistent with law.

Enclosed is the Constant Yield Tax Rate Certification (Form CYTR #1) which shows the constant yield tax rate and the associated steps in its calculation for your jurisdiction. Personal property is not part of the constant yield tax rate calculation.

Please remember that the constant yield tax rate uses an estimate of assessable real property made in February, several months before tax rates are typically set. Every effort is made to provide reliable estimates of revenue for the upcoming year. The Department issues revised estimates on a county basis in late March which may be obtained by contacting this office or from our web site at <http://www.dat.state.md.us/sdatweb/stats>.

Questions or Problems: Laura Kittel, Administrator
Department of Assessments and Taxation
301 West Preston Street, Room 808
Baltimore, Maryland 21201
Phone: (410) 767-1191 Fax: (410) 333-5873
Email: lkittel@dat.state.md.us

Enclosures: Sample Notice
Form CYTR #1 (Constant Yield Tax Rate Certification)
Form CYTR #2 (Reporting Form)
Form CYTR #3 (Advertisement Calculation Instructions)

ROUTED TO:

Council

City Clerk

City Manager

City Attorney

Council Support Specialist

Other Gavin Cohen
Stacy Tate

RECEIVED

CITY CLERK'S OFFICE

2008 MAR 10 AM 10:30

REVISED

March 5, 2008

State of Maryland

Department of Assessments and Taxation

2008 Constant Yield Tax Rate Certification

Taxing authority: **Rockville**
in Montgomery County

1	1-Jul-2007	Gross assessable real property base	\$	11,488,239,545
2	1-Jul-2007	Homestead Tax Credit	-	<u>1,228,311,585</u>
3	1-Jul-2007	Net assessable real property base		10,259,927,960
4	1-Jul-2007	Actual local tax rate (per \$100)	x	<u>0.302</u>
5	1-Jul-2007	Potential revenue	\$	30,984,982
6	1-Jul-2008	Estimated assessable base	\$	13,131,069,270
7	1-Jan-2008	Half year new construction	-	192,626,472
8	1-Jul-2008	Estimated full year new construction*	-	30,000,000
9	1-Jul-2008	Estimated abatements and deletions**	-	<u><u>1,591,428,296</u></u>
10	1-Jul-2008	Net assessable real property base	\$	11,317,014,502

11	1-Jul-2007	Potential revenue	\$	30,984,982
12	1-Jul-2008	Net assessable real property base	÷	11,317,014,502
13	1-Jul-2008	Constant yield tax rate	\$	0.274

Certified by


Director

* Includes one-quarter year new construction where applicable.

**Actual + estimated as of July 1, 2008, including Homestead Tax Credit.

CYTR #1



State of Maryland

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Deputy Director

February 14, 2008

MEMORANDUM

To: ALL TAXING AUTHORITIES

From: C. John Sullivan, Jr., Director *[Signature]*

Re: Department Notification - Constant Yield Tax Rate Notice

Please complete this form letter and return at the appropriate time as indicated below to:

Department of Assessments and Taxation
Attention: Mrs. Laura Kittel
301 West Preston Street, Room 808
Baltimore, Maryland 21201

Please check one of the following:

- 1. The taxing authority has established a tax rate not in excess of the Constant Yield Tax Rate.

Please Respond to the Department Within 15 Days When the Tax Rate, Not Exceeding the Constant Yield Tax Rate, Is Set.

- 2. The taxing authority plans to exceed the Constant Yield Tax Rate and attached is a copy of the entire page of the newspaper notice or a copy of the dated notice that was mailed to each property taxpayer.

Please Respond to the Department Within 15 Days of the Date of the Newspaper Notice, or Date the Notice Was Mailed to Each Property Taxpayer.

Taxing Authority: _____
County or Municipality and the County

Name/Signature: _____

Date: _____ Phone Number: _____

E-Mail Address: _____

MUNICIPAL NEWSPAPER NOTICE REQUIREMENTS

Headline must be all capital letters and bold type as shown.
Remainder must be both upper and lower case characters.
Notices must be 12 point. Municipal advertisements
must be a minimum of 1/8 page in size and
must not be placed with legal notices or classified ads.

.....(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, 2008, 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.

Sample Notice