



**ANNE ARUNDEL COUNTY
OFFICE OF THE COUNTY AUDITOR**

May 3, 2013

The Honorable Members of the County Council
The Honorable County Executive Laura Neuman
Mr. John Hammond, Budget Officer
Mr. Richard Drain, Controller

Dear Members, Ms. Neuman, Mr. Hammond, and Mr. Drain:

In accordance with Section 311 of the County Charter, I am calling to your attention and taking exception to the following improper procedure.

Sections 4-7-205 and 4-7-304 of the County Code establish the methods of establishing tax rates for special community benefit districts (SCBDs) and shore erosion control districts (SECDs), respectively. Both sections provide that the properties within a district shall be taxed by applying a uniform tax rate per assessment, unless the County Council adopts a uniform tax per property. In fiscal year 2013, the property owners in fourteen SCBDs and eleven SECDs were taxed by applying a uniform tax rate per assessment; the remainder were taxed by assessing a uniform rate per property (platted lot, improved lot, or tax account).

It has been the Administration's practice to apply the Homestead Tax Credit to SCBDs and SECDs that apply a uniform rate per assessment. Consequently, the Administration has limited the increase in the taxable assessments against which the SCBD or SECD tax rate is applied to 2%, if the property is the owner's principal residence and the owner has lived in the residence for at least six months.

I asked the Office of Law whether it was proper to apply the Homestead Tax Credit to SCBD and SECD assessments, and County Attorney David Plymyer advised me, the Budget Office, and the Controller in March that it was not. According to Mr. Plymyer, under § 9-105 of the Tax Property Article of the Maryland Code, the Homestead Tax Credit applies County property taxes and, by definition (§ 1-101(h)), County property taxes *exclude* taxes imposed on "properties specifically benefitted by local improvements," such as SCBD and SECD taxes. Accordingly, the Administration should *not* apply the Homestead Tax Credit and limit the increase in taxable assessments for owner-occupied principal residences within a SCBD and SECD to 2%.

If the Administration does not apply the Homestead Tax Credit to properties in a SCBD or SECD, the total amount of taxes collected from a district will not increase or decrease. Each district submits a budget for the Council's approval, and the Budget Office calculates and proposes the tax rate necessary to apply against the assessments to fund the budget. If the assessable base increases because it is not limited by the Homestead Tax Credit, then the tax rate the Budget Office calculates and proposes will decrease, generating the same total amount necessary to fund the district's budget.

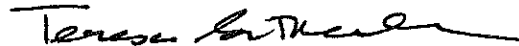
Please call if you have any questions regarding our findings.

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Management's Response

Historically, the Offices of Budget and Finance have established the tax rate on certain SCBDs and SECDs based on the taxable assessment for those properties that apply a uniform tax rate per assessment. This was based on an interpretation of the County Code. However, due to the recent Office of Law advice to use the total assessment to calculate the tax rate, this change will be implemented for fiscal year 2014. Properties that apply a uniform tax per property will be unaffected.

Sincerely,



Teresa Sutherland, CPA
County Auditor

Special Community Benefit Districts with Uniform Rates of Assessment

- Annapolis Roads
- Arundel on the Bay
- Bay Highlands
- Bayside Beach
- Cedarhurst on the Bay
- Columbia Beach
- Crofton
- Epping Forest
- Franklin Manor
- Gibson Island
- Indian Hills
- Owings Beach
- Oyster Harbor
- Venice Beach

Shore Erosion Control Districts with Uniform Rates of Assessment

- Arundel on the Bay
- Bay Ridge
- Cape Anne
- Cedarhurst on the Bay
- Columbia Beach
- Elizabeth's Landing
- Franklin Manor
- Idlewilde
- Mason's Beach
- North Beach Park
- Riviera Beach