

TALBOT COUNTY TAX FACTS

Assertion: Developments fees are the most reasonable tax revenue option
Facts:

- Real estate markets are highly cyclical. It is never prudent to base projections of future revenue on explosive growth in home values or home construction.
- Like transfer taxes development fees are a notoriously unpredictable source of income because they are tied to the cyclical changes in the market. As an example, in 1989-1993, Talbot's transfer tax revenue grew by a significant 15.3%, but fell during the next measured period -- from 1993-1997 -- by 6.6%. The revenue grew again by 98.1% from 1997-2001. That's a spread of 104% between the low and high points of the market.
- Other broader base taxes have not had such fluctuations, and more importantly were NEVER declining sources of revenue for the county.

YEARS	PERCENT CHANGE IN TRANSFER TAX REVENUE FOR TALBOT	PERCENT CHANGE IN PROPERTY TAX REVENUE FOR TALBOT	PERCENT CHANGE IN INCOME TAX REVENUE FOR TALBOT
1989-1993	15.3%	16.6%	39.8%
1993-1997	-6.6%	91.8%	12.4%
1997-2001	98.1%	14.7%	16.9%

Excerpted from Maryland Local Government: Revenues and State Aid, 1998 and 2002 Editions

- Moreover, the most broad based taxes available for Talbot are among the lowest in the State.
 - Talbot County has the second lowest local income tax rate in the state.
 - The county has the lowest property tax rate in the entire state at 0.553 per \$100 of assessed value.

Assertion: Development fees target sources of increased government expenditures like enrollment growth in schools.

Facts:

- Development is not the only factor driving capital needs. As an example, School capital construction costs have been affected greatly by the state requirement for all day kindergarten and the state - mandated reduction of school capacity. Those changes are not the result of new development, and new development should not bear the blame for those capital needs.

Assertion: Real estate should pay its fair share.

Facts:

- Real Estate is consistently the ONLY sector asked to pay over and over. Without any increase in real estate tax rates, the real estate sector contributed over \$5 million more dollars to Talbot County Government in 2001 compared to 1997. Based on the incredible increases in assessed values since 2001, this figure is undoubtedly much larger.
- When a \$250,000 home is sold in Talbot, a homebuyer and seller already split \$5,650 in state and local fees and taxes. Under the Talbot proposal new home buyers would add at least \$5,000 more to that, bringing the total government imposed costs to over \$10,000 - or OVER 4% OF THE VALUE OF THE HOME! This calculation does not even include other government costs like recording fees (which are typically minimal) or property taxes (which are typically significant).

TAX	Dollars (Based on \$250,000 sale)
Current Local Transfer Tax (1.0%)	\$2,500
State Transfer Tax (.5%)	\$1,250
Local Recordation Tax (\$3.30/\$500)	\$1,650
State Recordation Tax (\$.55/\$500)	\$250
Impact Fees (Proposed)	\$5,000+
Total	\$10,650

- Beyond the individual impact of existing fees and taxes, local government has benefited from increased revenue from existing real estate taxes without increasing tax rates. In addition, Talbot County income tax revenue has increased by \$2,492,555 from 1997-2001. When combined with the increased revenue from real estate taxes, the County is realizing an additional \$7,991,348 million in new revenue WITHOUT ANY TAX INCREASES. As an example of this, Moody's Credit Rating Bureau assigns Talbot a rating of Aa3 (Excellent). A significant factor in rating the creditworthiness of a county is its growth in the tax base. And, again, that growth occurred with no tax increase.
- The County also received over \$11,860,563 in increased service fees from 1997-2001.

Local Tax	Revenue Gain to County from 1997-2001
Local Transfer Tax	\$1,402,194
Local Recordation Tax	\$1,061,111
Local Property Tax	\$3,035,488
Local Income Tax	\$2,492,555
TOTAL	\$7,991,348

Excerpted from Maryland Local Government: Revenues and State Aid, 2002 Edition

Assertion: Maximizing the impact fee is the only option available to Talbot Government

Facts:

- Talbot County government has more options available to it than just maximizing the new impact fee, or seeking some other discrete real estate tax.
- Debt: according to latest state publication on debt per capita, Talbot continues to have one of the lowest debt per capita ratings of any local government in Maryland. In fact, only 7 other counties have lower debt per capita than Talbot. (Overview of Maryland Local Governments: Finances and Demographic Information, Department of Legislative Services, 2004)
 - Because of the lower debt per capita, the county should explore whether to seek more bonding authority which would help mitigate the potential increase in the impact tax. Though this must be weighed against the impact such an action may have on the county's credit rating, it is true that some of the counties with higher debt per capita than Talbot have an even higher credit rating than Talbot.
- Homestead Exemption: In addition to having the lowest local property tax rate in the state, Talbot set its homestead exemption at 0%. TALBOT COUNTY IS THE ONLY COUNTY IN THE STATE TO FREEZE PROPERTY TAX ASSESSMENT INCREASES. Most local county governments in Maryland (15) permit property tax assessments to increase by the maximum level permitted by state law - 10% per year. By increasing the Homestead exemption, Talbot would be able to increase its property tax revenue without increasing the tax rate. Moreover, such an increase in revenue would help the County implement a lower impact fee so as to preserve more workforce housing.