



Committee: GO
Committee Review: At a future date
Staff: Livhu Ndou, Senior Legislative Attorney
Purpose: To introduce agenda item – no vote expected

AGENDA ITEM #5B
October 15, 2024
Introduction

SUBJECTS

Expedited Bill 22-24, Taxation - Collection of Development Impact Taxes

Lead Sponsor: Councilmember Glass

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

To introduce bill – no votes required

DESCRIPTION/ISSUE

Expedited Bill 22-24 would:

- (1) require collection of development impact taxes at final inspection of the building; and
- (2) generally amend the law governing development impact taxes.

SUMMARY OF KEY DISCUSSION POINTS

- Under current County law, an applicant for a building permit need not pay any development impact tax, Transportation Mitigation Payment, or School Facilities Payment until 6 or 12 months after the building permit is issued (depending on the type of building), or the final inspection of the building by the Department of Permitting Services (DPS), whichever is earlier.
- Bill 22-24 would strike the provisions about payment 6 or 12 months after the building permit is issued and amend the law so that payment is not required until final inspection of the building by DPS, regardless of the type of building.

This report contains:

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MEMORANDUM

October 10, 2024

TO: County Council

FROM: Livhu Ndou, Senior Legislative Attorney

SUBJECT: Expedited Bill 22-24, Taxation - Collection of Development Impact Taxes

PURPOSE: Introduction – no Council votes required

Expedited Bill 22-24, Taxation - Collection of Development Impact Taxes, sponsored by Councilmember Glass, is scheduled to be introduced on September 5, 2024. A public hearing and a Government Operations and Fiscal Policy (GO) Committee worksession will be scheduled at a later date.

Background

Under current County law, an applicant for a building permit need not pay any development impact tax, Transportation Mitigation Payment, or School Facilities Payment until 6 or 12 months after the building permit is issued (depending on the type of building), or the final inspection of the building by the Department of Permitting Services (DPS), whichever is earlier. Bill 22-24 would strike the provisions about payment 6 or 12 months after the building permit is issued and amend the law so that payment is not required until final inspection of the building by DPS, regardless of the type of building. As noted in a memorandum from Councilmember Glass, lead sponsor, the current policy contributes to higher upfront housing construction costs. The intent of the bill is to address the timing of taxes and fees in a revenue-neutral manner.

This packet contains:

Bill 15-24

Memo from lead sponsor Councilmember Glass

Circle #

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Expedited Bill No. 22-24
Concerning: Taxation – Collection of
Development Impact Taxes
Revised: 9/30/2024 Draft No. 1
Introduced: October 15, 2024
Expires: December 7, 2026
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: _____
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Glass

AN EXPEDITED ACT to:

- (1) require collection of development impact taxes at final inspection of the building; and
- (2) generally amend the law governing development impact taxes.

By amending

Montgomery County Code
Chapter 52, Taxation
Section 52-42

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Section 52-42 is amended as follows:

52-42. Collection of development impact taxes.

* * *

(c) The Department of Permitting Services must not issue a building permit for development that is not exempt from the development impact tax unless:

- (1) the applicant has paid the applicable development impact tax;
- (2) the applicant is entitled to a credit under Section 52-47 in the amount of the applicable development impact tax; [or]
- (3) an appeal has been taken and a bond or other surety posted under Section 52-48[.]; or
- (4) payment is deferred under Section 52-42(1).

* * *

(l) Notwithstanding any other provisions of this Chapter, an applicant for a building permit need not pay any development impact tax, Transportation Mitigation Payment, or School Facilities Payment due until the final inspection of the building by the Department of Permitting Services[:]

- [(1) if the building is a single-family detached or attached residential building, the earlier of:
 - (A) the final inspection of the building by the Department of Permitting Services; or
 - (B) 6 months after the building permit is issued; and]
- [(2) if the building is a multi-family residential or non-residential development, the earlier of:
 - (A) the final inspection of the building by the Department of Permitting Services; or
 - (B) 12 months after the building permit is issued].

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* * *

Sec. 2. Expedited Effective Date. The Council declares that this legislation is necessary for the immediate protection of the public interest. The amendments made in Section 1 take effect on January 1, 2025, and must apply to any application for a building permit filed on or after January 1, 2025.



MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

EVAN GLASS
COUNCILMEMBER AT-LARGE

TRANSPORTATION & ENVIRONMENT COMMITTEE, CHAIR
ECONOMIC DEVELOPMENT COMMITTEE

MEMORANDUM

October 2, 2024

TO: Members of the Government Operations Committee
FROM: Councilmember Evan Glass
SUBJECT: Impact Taxes and Long-Term Economic Growth in Montgomery County

Communities across the United States are experiencing a housing crisis and Montgomery County is no exception. The shortage of new residential construction has been exacerbated by post-pandemic challenges, including high inflation levels that have significantly increased building and borrowing costs. Despite the Council's decision four years ago to encourage new housing construction by lowering impact taxes, development has been slower than anticipated, and as a result, the county has fallen short of its housing goals.

I appreciate that the Government Operations and Fiscal Policy Committee is conducting a series of worksessions to review our impact taxes. The current policy requires that impact taxes are charged at the beginning of a project, which contributes to unnecessarily higher upfront housing construction costs. Later this month I plan to introduce legislation addressing the timing of taxes and fees – in a revenue neutral manner – that reduces the overall cost of housing construction.

For background, a majority of the Council in 2011 supported the introduction of Bill 26-11, which would have changed the timing for when impact fees are paid – from before a building permit is issued to before a use and occupancy permit is issued. Given the effects of the recession at the time, the legislation was ultimately amended to require the collection of impact taxes at six or twelve months (depending on the type of construction) after a building permit is issued, or at the time of final building inspection – whichever comes first.

More than a decade later, I believe it is time to revisit this policy. We must position Montgomery County for financial success and reduce the cost of housing.

The legislation I will be proposing stipulates that impact taxes be collected at the time of final building inspection, which ensures that impact taxes are paid before a building receives a use and occupancy permit.

While impact taxes are by nature an imperfect and unreliable tool for raising revenue, they do contribute to our capital budget and help us build schools, roads and other important infrastructure projects.

As the Government Operations and Fiscal Policy Committee considers the issue of impact taxes, I request that my proposal be part of the October 10 discussion.

By implementing this common sense change, we can further facilitate long-term growth while ensuring that important school and infrastructure projects are built to benefit current residents and those who are excited to one day call Montgomery County home.

CC: Councilmembers
Livhu Ndou, Legislative Attorney
Pamela Dunn, Senior Legislative Analyst