

CHARLES COUNTY, MARYLAND

SCHOOL CONSTRUCTION EXCISE TAX

SEMINAR SERIES



WHAT IS A SCHOOL EXCISE TAX?

- ▶ User tax imposed on property when new residential units are created
- ▶ Revenues are used to fund new schools
- ▶ Tax is paid by the home owner over a maximum period of 10 years
- ▶ County issues bonds and uses the revenues collected from the tax to pay back the bonds
- ▶ Excise tax replaced the school construction impact fees

WHO PAYS THE TAX?

- ▶ Tax is assessed to all ***NEW RESIDENTIAL CONSTRUCTION***
- ▶ Anyone who applies for a residential building permit on or after July 1, 2003
- ▶ Anyone who purchases a home that has an outstanding excise tax balance

UNDER WHAT AUTHORITY WAS THE EXCISE TAX IMPLEMENTED?

- ▶ MD General Assembly granted the Charles County Commissioners authority to establish a new school capacity financing mechanism
- ▶ Charles County Commissioners adopted Ordinance No. 02-97 on November 19, 2002, which became effective on July 1, 2003

HOW MUCH IS THE TAX?

- For Fiscal Year 2011, the amount of the Fair Share School Construction Excise Tax is:
 - \$12,097 for single-family detached
 - \$11,473 for townhouse
 - \$8,730 for multi- family dwelling units
- A study is performed annually to determine if the amount of the tax needs to be adjusted.

METHODOLOGY

CALCULATING THE EXCISE TAX

**ASSESSING AND COLLECTING
THE EXCISE TAX**



CALCULATING THE TAX

- ▶ Tax is based on County costs associated with school construction including land, buildings, equipment and financing.
- ▶ Capital cost per student is calculated by dividing total County costs (at each level) by total number of students
- ▶ Current student yields are then applied to these costs to determine total excise tax for each type of structure (single-family, townhouse and multi-family)

CALCULATING THE TAX

- The tax is tied to the change in the Producer Price Index for Construction Materials.
- The tax may go up (or down) annually, but it is fixed for individual property owners.

ASSESSING AND COLLECTING THE TAX

- ▶ When house is built and Use & Occupancy Permit is issued, the full tax will be assessed to the property owner the following July 1.
- ▶ Excise tax is fully assumable
- ▶ No prepayment penalty
- ▶ Payback period is 10 years or less

DETERMINING IF A PROPERTY HAS AN EXCISE TAX ASSESSED

- ▶ Any property for which a building permit for a new residential dwelling unit is applied for AFTER July 1, 2003 and is issued a Use & Occupancy Permit is subject to excise tax
- ▶ Contact Charles County Treasurer's Office for information concerning whether excise tax has been assessed to a property



**CHARLES COUNTY
MARYLAND**

P.O. Box 2607, La Plata, MD 20646
301-645-0685 or 301-870-2249

2004-2005 Full Year Real Property

BILL NUMBER	BILL DATE	LIBER	FOLIO	PROPERTY NUMBER
123456789	7/01/2004	1234	567	01234567

Payment due upon receipt. No partial payments accepted. Failure to receive tax bill does not excuse payment of taxes, interest or penalty.
IT IS THE TAXPAYER'S RESPONSIBILITY TO FORWARD THE TAX BILL TO THE LENDING INSTITUTION FOR PAYMENTS.

DOE, JOHN & JANE
123 ABC STREET
ANYPLACE, MD 12345

IMPSLOT 1

123 ABC STREET
ANYPLACE

PRINCIPAL RESIDENCE

COUNTY ASSESSMENT: 200,000
STATE ASSESSMENT: 200,000

PAYMENT IN FULL

PAYMENT AMOUNT SHOWN FOR MONTH OF PAYMENT

TYPE	RATE	AMOUNT	MONTH	INTEREST	PAYMENT
ESF		60.00	JUL		3,411.04
CNTY	.9520	1,904.00	AUG		3,411.04
FIRE	.0640	128.00	SEP		3,411.04
STAT	.0840	168.00	OCT	22.60	3,433.64
EXSE		1,151.04	NOV	45.20	3,456.24
			DEC	67.80	3,478.84
			JAN	90.40	3,501.44
			FEB	113.00	3,524.04
			MAR	135.60	3,546.64

CONSTANT YIELD TAX RATE
County Tax Rate = 1.016
CYTR = 0.997
County Rate exceeds CYTR by 0.019

IMPORTANT: See notes on reverse side

Make checks payable to:
Joseph W. Norris
Charles County Treasurer
P.O. Box 2607
La Plata, MD 20646-2607

Phone: 301-645-0685 or 301-645-0686
or 301-870-2249
Maryland Relay Service
TDD# 1-800-735-2258 or 7-1-1

E-mail: Treasurer@govt.co.charles.md.us

INTEREST AND PENALTY OF 1% PER MONTH BEGINS ON THE APPROPRIATE DELINQUENT DATE.

TOTAL TAXES IF PAID IN FULL
3,411.04

PAYMENT IN FULL MUST BE RECEIVED BY SEPTEMBER 30

SEMIANNUAL PAYMENT SCHEDULE

1st Semiannual Payment - due date JULY 1, 2004 2,311.04

County Service Charge .510% 5.18

State Service Charge .510% .43

2nd Semiannual Payment - due date DECEMBER 1, 2004 1,105.61

Total of Semiannual Payments

3,416.65

Semiannual payment schedule is only applicable for Full Year Real Property designated Principal Residence.

1st Semiannual Payment must be received by September 30. If the 1st semiannual payment is late, this payment schedule is no longer available.

2nd Semiannual Payment includes the State and County service charges. Interest on the 2nd Semiannual Payment amount will accrue after December 31.

The background of the slide consists of several sheets of architectural blueprints. The blueprints are rolled up on the left side and spread out on the right. They show various floor plans, including residential units and a section labeled 'PHASE'. The text is overlaid in a dark blue, bold, sans-serif font.

**EXEMPTION FOR REPLACEMENT
HOMES**

DISCLOSURE STATEMENT

CONTACT INFORMATION

EXEMPTION FOR REPLACEMENT DWELLINGS

- ▶ The tax was not intended to apply to existing dwellings since the impact from existing dwellings was already taken into consideration by the BOE in facility planning and construction.
- ▶ Tax will not be levied on a new house if it replaces a “habitable structure” on the same property provided it has been occupied within the year prior to application for building permit or the structure is deemed to meet the County’s Livability Code.

Exemption for Replacement Dwellings

- ▶ Must apply to the Chief of Resource and Infrastructure Mgmt (RIM).
- ▶ The application must include documentation that the dwelling was occupied or habitable within the last year.
- ▶ Examples of Documentation include electric bills, rent receipts or other information approved by the Chief of RIM.

DISCLOSURE STATEMENT

- ▶ Prior to the sale or transfer of real property improved by new residential development, seller/transferee must provide notice to buyer/transferee that includes:
 - Statement that fair share school construction excise tax may be levied on the property; and
 - The amount of the tax for the dwelling type on the property.

DISCLOSURE STATEMENT

- ▶ County has prepared and distributed a sample disclosure form
- ▶ You may use the sample form, or prepare one of your own

Fair Share School Construction Excise Tax Notice

This Notice concerns the real property located in the County of Charles, State of Maryland, described as:

This Notice is a disclosure of the existence of the Charles County Fair Share School Construction Excise Tax provided for in Article 66B, Section 14.05(f) of the Annotated Code of Maryland.

SELLER'S INFORMATION

The following are notices made by the seller and are not the representations of the agent(s), if any. This information is a notice only and is not intended to be part of any contract between the buyer and seller.

In order to finance the new costs incurred by Charles County to provide new capacity for public school facilities required by new residential development in Charles County, Charles County imposes an excise tax levied against the owner of real property that is improved by new residential development. The amount of the tax equals all County costs to construct one unit of new student capacity for public school facilities, multiplied by the pupil generation rate for that particular new dwelling type in the County. The term "dwelling type" includes single family detached homes, townhouses, and multifamily housing units.

The fair share school construction excise tax is collected and secured in the same manner as general ad valorem taxes unless otherwise provided by ordinance, and subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as provided in general ad valorem taxes. The tax is collected annually over a period of 10 years at level amortized payments of principal and interest. The rate of interest payable by a property owner is set at the rate of interest paid by the County on the new school capacity construction bonds issued in the first year the excise tax is levied on that property owner. The tax constitutes a lien on all taxable real or personal property of the taxpayer for a period of 10 years or until the lien is satisfied by repayment. The tax is assumable, and there is no penalty for prepayment.

The amount of the tax for the dwelling type on the property is \$ _____

Seller _____ Date _____

Seller _____ Date _____

We acknowledge receipt of a copy of this Notice:

Purchaser _____ Date _____

Purchaser _____ Date _____

QUESTIONS AND ANSWERS

Frequently Asked Questions

- ▶ How much is the School Construction Excise Tax?
- ▶ How is the School Construction Excise Tax computed on the Real Estate Tax Bill?
- ▶ How much should we escrow for this tax?
- ▶ When will the tax show up on my tax bill?

Frequently Asked Questions

- Can I pay the Excise Tax off at one time in the beginning to save interest?
- Can I pay the tax off at any time and have the interest pro-rated?
- Will my taxes go up in the future?
- Can I get an exemption from the School Construction Excise Tax?
- What if I replace or rehab a house built after 2003?

FOR FURTHER INFORMATION ON THE SCHOOL CONSTRUCTION EXCISE TAX

▶ FOR QUESTIONS ABOUT FISCAL ISSUES, CONTACT Eric Jackson AT (301) 645- 0712

▶ FOR POLICY OR EXEMPTION QUESTIONS, CONTACT Zak Krebeck AT (301) 396-5816

**Briefing on School Excise Tax
Presented by:**

**Department of Planning and Growth
Management**

Melvin C. Beall, Jr., P.E., Director

P. O. Box 2150, LaPlata, MD 20646

(301) 645-0689

www.charlescounty.org

Mission Statement

The mission of Charles County Government is to provide our citizens the highest quality service possible in a timely, efficient, and courteous manner. To achieve this goal, our government must be operated in an open and accessible atmosphere, be based on comprehensive long- and short-term planning, and have an appropriate managerial organization tempered by fiscal responsibility.

Vision Statement

Charles County is a place where all people thrive and businesses grow and prosper; where the preservation of our heritage and environment is paramount, where government services to its citizens are provided at the highest level of excellence; and where the quality of life is the best in the nation.