

City to offer refunds

Error affected tax bills in Charles Village and Bolton Hill

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Nearly 2,000 residents in [Charles Village](#) and [Bolton Hill](#) could receive small property tax refunds because of a city error that inflated their tax bills, [Mayor Sheila Dixon](#) said yesterday.

Dixon's announcement puts to rest a months-long dispute that began after *The Sun* reported that a popular credit was not being applied to tax bills for residents of the Charles Village Community Benefits District and the Midtown Community Benefits District.

The districts levy a property tax in addition to rate imposed by the city and, in turn, provide extra services, such as increased garbage collection and security. But the city had failed to apply the Homestead Tax Credit to those additional bills.

"You know, we made some mistakes, and they made some mistakes," Dixon said, referring to the city and the benefits districts. "Let's just fix this and move on."

The city will send letters to residents in the next two weeks. Exactly how many will receive the letter is not yet clear, but a Dixon spokesman said it will likely be shy of 2,000.

The city expects the refunds will cost between \$250,000 and \$300,000. It was not clear yesterday how the city will pay for that unexpected expense.

After receiving the letter, residents will be required to apply for a refund. A draft of the letter shows the city will offer homeowners the option of taking the refund or, if they believe the money was well spent, simply forgetting about it.

"I'm trilled that the mayor is taking this step," said City Councilman [William H. Cole IV](#), who represents residents who live in the Midtown district. "The city is doing the right thing."

For months, city officials have debated who is responsible for the failure to apply the Homestead Tax Credit to the district's tax bills. At a May 29 City Council committee meeting, Department of Finance officials said the districts would pay for the error.

But district leaders countered that they could not afford the refunds and noted that it is the city Department of Finance that is responsible for calculating the bills. The city Board of Estimates also votes to approve each district's budget. The error appears to have been made for years, long before Dixon became mayor.

An early draft of the 1994 proposal to create the Charles Village Community Benefits District - the city's first residential benefits district - was changed by the City Council to make sure that the credit would apply, documents from the time show.

"We do want anyone who's due a refund to be able to get it without much hassle and we also didn't want it to affect our operational budget," said Peter M. Merles, district administrator of the Midtown Community Benefits District. "It looks like this will solve it."

In Baltimore and other parts of the state, the homestead tax credit has eased property tax bills for homeowners by limiting annual assessment increases for taxing purposes to 4 percent. The credit does not apply to business or rental properties.

City Councilwoman Mary Pat Clarke, who represents Charles Village, introduced legislation earlier this year that required the tax credit to be applied in the future. That legislation, which was approved, raised questions about whether the credit had been applied in the past.

A memo in support of Clarke's legislation drafted by the city Law Department argued that the tax credits should have been applied. The department later revised that memo, limiting its scope solely to future tax bills and not addressing questions about past bills.

Exactly how many people will apply for the refund is unclear. Cole and others said they have received only a handful of phone calls from people asking about the overbilling. In most cases, the refund will be small.

State law sets a three-year statute of limitations on requesting tax refunds.

"I don't think in the grand scheme of things that people are out there waiting for these rebates," Cole said. "But if the money is due to them, they certainly want to know what the process is to reclaim it."