New ‘flush tax’ idea: Flat fee, 150% hike

BY GREG MASTERS

What Gov. Martin O’Malley billed as a 100 percent increase to most Maryland residents’ “flush tax” would become a 150 percent increase under a new proposal his administration is discussing with lawmakers.

Instead of a levy based on water consumption, O’Malley (D) is now pushing a flat fee that would be more regressive, hitting low-, middle- and high-income earners nearly equally.

The change marks a reversal for O’Malley, who in touting his original plan said it was unfair to make a wealthy family in Baltimore pay the same amount as the owner of a mansion. But after hearing from business associations and other opponents, O’Malley concluded that his plan was unworkable.

The amended bill would increase the yearly cost of nearly every resident’s flush tax — which is used to restore the Chesapeake Bay — to $75 from $30. Households that receive public assistance, such as food stamps or supplemental security income, or otherwise qualify as low-income generally would be exempt from paying the fee.

It is the second of the governor’s tax proposals that he envisioned as progressive only to see it emerge from negotiations with legislators as an across-the-board increase.

In Senate budget committee negotiations, O’Malley’s plan to cap exemptions and deductions for high-income earners was reworked into a proposal to increase a tax on filing income taxes by a quarter of a percent. The budget must go through the House of Delegates, where the progressive approach appears to have more support.

The setbacks for the governor underscore the practical and political obstacles he has faced in trying to craft a package of tax increases that would fall more heavily on the higher earners.

Another fee on residents could result from O’Malley’s plan to subsidize offshore wind power, with residential ratepayers potentially paying $2 more per month in 2017.

Combined, the flush tax and the wind subsidy would add nearly $100 in annual fees for most Marylanders.

Robert M. Summers, secretary of the Department of the Environment, said the push for a consumption-based flush tax was abandoned partly to assuage the concerns of businesses.

Summers said “a number of folks have raised concerns about the progressive fee being a little too impactful on small businesses” that use a large amount of water. The “complexity” of moving from a flat fee to a consumption-based fee was another factor in the change, he said.

Pitching his original plan to lawmakers in February, O’Malley said those who use the least amount of water could even see their flush tax decrease from its monthly flat rate of $2.50.

According to the Washington Suburban Sanitary Commission, 11 percent of households in Prince George’s and Montgomery counties use fewer than 2,000 gallons of water per month, and those residents would have paid a monthly fee of $1.80 or less.

Under the original proposal, the 31 percent of households in those counties that use between 2,000 and 4,000 gallons monthly would have paid between $4.30 and $4.30 per month — still less than the flat monthly fee of $6.25 being considered.

And users of septic systems, which are not metered for water use, would have seen their fees rise to $5 per month. The new plan would put their rate, like everyone else’s, at $6.25 per month.

But heavy users would have paid significantly more under the original plan. The 12 percent of Prince George’s and Montgomery County households that use more than 8,000 gallons of water monthly would have paid at least $9.30 a month.

And many restaurants, grocery stores and other businesses would have seen their fees more than triple. According to legislative analysts, the original bill could have resulted in “a meaningful adverse impact” on them.

Summers said the increase in revenue that would be brought in under the revised plan is “not significantly more” than the one O’Malley originally sought. While the first plan sought to double revenue, the new one “will produce 2.5 times the revenue,” Summers said.

The proposed $6.25 is “just another $1.25” over what a doubling of the current fee would be, Summers said, adding that the burden on higher water users and small businesses would be smaller because the fee would not be progressive.

O’Malley has said an increase to the flush tax is necessary to cover shortfalls in funding for upgrades to the state’s wastewater treatment plants. Summers said the extra $1.25, rather than being spent on those upgrades, would go toward street retrofitting to help municipalities meet federal mandates to reduce pollution runoff to the bay.