



MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

March 12, 2020

TO: The Honorable Guy Guzzone
Chair, Budget and Taxation Committee

FROM: Sidney Katz
President

RE: Senate Bill 1040 – *Local Tax Relief for Working Families Act of 2020* – Oppose

Senate Bill 1040 authorizes an increase in the top local income tax rate from 3.2% to 3.5% after tax year 2021 for individual and joint filers with Maryland taxable income greater than \$500,000 and \$600,000, respectively. The bill also requires counties that increase rates after tax year 2021 to apply those increases on a bracket basis; however, applying lower rates on higher income tax brackets than rates applied to lower income tax brackets is prohibited.

Although the bill allows each county to make its own decision about restructuring its local income tax system, the Montgomery County Council opposes this bill because it makes a fundamental change to local taxing authority in isolation. Major changes to State law governing local tax structures should only be considered in the context of a comprehensive evaluation of State and local government taxing authority and related policy matters. This bill also contributes to the perception that the State and County are not business friendly and conflicts with the County's goals for economic development and expanding the County's tax base.

For these reasons, the Council respectfully requests that the Senate Budget and Taxation Committee give Senate Bill 1040 an unfavorable report.

cc: Members of the Budget and Taxation Committee