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Appropriations Committee

Subcommittees

Capital Budget

Chair, Transportation and the
Environment

Oversight Committee on Personnel



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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

County Tax Fairness Act (HB 621)

Testimony of Delegate Marc Korman--Favorable

Thank you Madam Chair, Mr. Vice Chair and colleagues on the Appropriations Committee. I come before you today to present the County Tax Fairness Act. The legislation will address the obligation of counties and municipalities to repay the state for certain income tax refunds already received by taxpayers pursuant to the Supreme Court's *Maryland v. Wynne* ruling.

The Supreme Court ruled in 2015 that Maryland's local income piggyback tax could not be collected on out-of-state income that had been subject to out of state income taxes. In addition to halting the process going forward, taxpayers were reimbursed from the Local Income Tax Reserve Account and a repayment schedule was established for the counties and municipalities to repay the state. In 2018, that repayment schedule was last altered to allow repayments by local governments in 20 equal installments commencing in 2021.

In the Budget Reconciliation and Financing Act (BRFA) submitted with this year's budget, the Governor proposed a change in the state repayment obligation to the Local Reserve Account (see page 29 of HB 152). The Governor proposed to reduce the state's first repayment and extend repayments from 2021 to 2040. The County Tax Fairness Act would establish the same repayment schedule for local governments. Initial payments would still be due to the state in 2021, but the payments would stretch out over 80 installments, instead of 20. Thus improving the cash flow for our local jurisdictions. This installment plan repayment costs the state and taxpayers nothing, is consistent with bond rating agency desires, and benefits each of our counties in some way. Instead of dividing the below obligation by 20 for the quarterly payment, your jurisdiction could divide it by 80 and allow it to make its required repayments on a more favorable and easier schedule.

<u>County</u>	<u>County and Municipal Amount Owed</u>
Washington	\$322,025
Allegany	\$126,700
Baltimore County	\$52,284,582
Baltimore City	\$4,807,405
Kent	\$955,040
Queen Anne's	\$809,950
Cecil	\$3,308,143
Caroline	\$96,946

Frederick	\$1,872,553
Prince George's	\$2,691,314
Anne Arundel	\$17,975,617
Garrett	\$109,724
Howard	\$9,104,859

I urge you to pass the County Tax Fairness Act to provide our counties and municipalities with the budget flexibility to better serve Marylanders.