



House Bill 737

Local Governments – Income Tax Disparity Grants – Amounts

Position: **SUPPORT**

Date: February 27, 2020

To: Appropriations Committee

The Caroline County Commissioners **SUPPORT** HB 737, Local Governments – Income Tax Disparity Grants – Amounts.

This legislation would extend the current framework for Disparity Grants through Fiscal Year 2023. Without this legislation, sunset provisions in the current law would result in significant cuts to the local revenue of the state's poorest jurisdictions.

Local governments have limited sources by which to raise revenue and most local funding is raised through income taxes and property taxes. The General Assembly has wisely noted that wide disparities in wealth exist between counties and these disparities limit the ability of some jurisdictions to raise comparable revenue from income taxes. As a result, the Disparity Grant program is a way of leveling this playing field and helping to ensure that poorer jurisdictions are able to provide comparable public services like education, public safety, and public health.

In recent years, Caroline County has used Disparity Grant funds to support a variety of important public services, including providing school resource officers for each school. Additionally, recent increases in Disparity Grant funding have been used to fund vital capital projects, including the construction of a new elementary school and new public safety building.

Without the passage of this bill, Caroline County will lose approximately \$400,000 a year in revenue – an amount equivalent to 1.5 cents of property tax. Dorchester, Prince George's, Somerset, Washington, and Wicomico counties would also see lower Disparity Grants in fiscal 2022 if the current provisions related to the cap for counties at the maximum income tax rate are allowed to expire.

The Disparity Grants are an important way to level the playing field between rich and poor areas of the state and ensure that all residents have access to necessary government services. For this reason, the Caroline County Commissioners respectfully request you issue a favorable report on HB 737.