



March 12, 2020

Senate Bill 1040

**Local Tax Relief for Working
Families Act of 2020**

Senate Budget & Taxation Committee

Position: FAVORABLE

This bill is enabling legislation to allow local governing bodies to set local income taxes on a progressive bracket structure rather than the flat rate that exists under current law. The bill would also allow a county to raise the maximum local income tax rate for high income earners (filers whose Maryland Net Taxable Income is twice the minimum level of the states highest bracket) from 3.2 percent to 3.5 percent. This would only affect those making more than \$500,000 a year.

In the richest state in the richest country in the world, a bus driver should not pay the same local tax rate as a billionaire. This is not a controversial view - federal and state tax rates are progressive and have various brackets determined by income. According to the recent Goucher Poll, nearly three-quarters of Marylanders think higher earners should pay a higher rate. However, local income tax rates are currently required to be the same for everyone, regardless of income. SB 1040 gives local governments the same ability the state and federal governments already have to set their income tax rates on a progressive bracket basis. It also allows counties the freedom to choose whether or not to switch to a bracket structure or to retain their current local income tax structure.

In 2019, Anne Arundel County made the tough decision to raise our local income tax rate to pay for much-needed investments in education, public safety and infrastructure. Unfortunately, because counties are required to apply a single rate for all filers, there was no way to protect low income earners or the middle class. SB 1040 allows counties to work with the Office of the Comptroller to implement local income tax brackets in a revenue neutral manner. Counties could therefore cut taxes for working and middle class families while increasing the rate on the higher income earners who have received relief from recent federal tax policy. In Anne Arundel County, those who make more than \$500,000 represent the top 1.3% of filers and have an average Maryland Net Taxable Income of over \$1 million per year.

I urge a **FAVORABLE** report on Senate Bill 1040.

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