



## House Bill 793

### *Local Governments – Income Tax Disparity Grants – Amounts*

MACo Position: **SUPPORT**

To: Appropriations Committee

Date: February 17, 2021

From: Drew Jabin and Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** HB 793. This bill repeals the sunset on a temporary enhancement of disparity grant funding for six counties with proven local income tax effort: Caroline, Dorchester, Prince George's, Somerset, Washington, and Wicomico.

The disparity grant program promotes fiscal equity by providing noncategorical State aid to less affluent counties with proven local income tax effort. The program serves to ensure that counties, who rely on local income taxes for substantial revenue, are able to generate sufficient yield to fund public health, schools, public safety, roadway maintenance, and community services.

Recent years have seen State-imposed "caps" in this program that artificially lessen the effective revenue from such jurisdictions, including those who have exercised the maximum county income tax rate. Over the past ten years, cap provisions have reduced State funding under the disparity grant program by approximately \$470 million.

MACo supports this bill as a reasonable and appreciated effort to mitigate the impact of these caps. The extension of this relief, offered to those aforementioned counties with the maximum local income tax rate of 3.2 percent, offers approximately \$8 million per annum to support needed public services.

Over the last three years, nine counties have raised their local income tax rates. Just last year, Dorchester and Washington raised their rates to the maximum rate of 3.2 percent. Somerset raised its rate to the maximum rate beginning in calendar year 2017. Caroline recently raised its rate to 3.2 percent in order to fund a new elementary school and sheriff's department.

This bill will provide needed revenues to counties with limited revenue generation potential, to help fund necessary services such as public health, education, public safety, infrastructure, and other essential services upon which all county residents depend. For these reasons, MACo urges a **FAVORABLE** report on HB 793.