SB 133 - Will Jawando (GA 21).pdf

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Position: FAV

MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

WILL JAWANDO
COUNCILMEMBER
AT-LARGE

Councilmember Jawando
Testimony for Local Tax Relief
for Working Families Act of 2021
SB 133

Good afternoon, I'm Will Jawando and I serve as an At-Large Councilmember in Montgomery County. Thank you for the opportunity to testify in support of SB 133. Over the last two years I have worked closely with Delegate Palakovich Carr and County Executive Pittman on this legislation and it is good to see bipartisan support for authority that should be extended to our counties and the city of Baltimore. This bill grants county governments the local authority to establish rates for income taxes. I'm happy to say that at my urging, Montgomery County has included support for this authority as a state priority for this session of the General Assembly. While I am noting this support, I am speaking on behalf of myself today.

Wealth inequality has become more and more pronounced – across Maryland, across the country and around the world. A 2017 report from Oxfam found that the richest one percent of people in the world control 82 percent of the total wealth. Put another way, just 42 people own the same amount of wealth as the poorest 50 percent of the global population.

During the last year, as the COVID-19 pandemic has taken lives and livelihoods, the inequalities have been magnified and have only become more extreme. According to an analysis by the Americans for Tax Fairness and the Institute for Policy Studies the collective fortunes of American billionaires grew an average of $42 billion during each week of the coronavirus pandemic. Simply put, the economic story related to the pandemic is an acceleration of inequality.

Our flat income tax is a contributor to that imbalance at the local level, and our middle class and less affluent residents are in need of relief. I will note that the Federal Government and the State of Maryland both employ progressive tax rates, and we should allow Counties to do the same. In Montgomery County, with a progressive tax rate we could lower taxes for the 65% of our residents who make less than $100,000 a year, putting much needed money into the pockets of middle and working class families.

And by modestly increasing the rate of our most affluent earners, those making over half a million dollars a year, from 3.2 percent to 3.5 percent, we could raise more than $25 million a year in revenues, helping us prioritize critical investments in our schools, our roads, and other vital services.

This middle-class tax relief is needed now more than ever. Study after study have found that half of American families cannot spare $300 in cash in the event of an emergency. In a study from 2016 – before former

President Trump tilted the tax code toward the ultra-rich – 63 percent of Americans reported not having $500 cash in an emergency. Restructuring how we collect county taxes can provide significant relief to middle class and working families, our aging neighbors, and those who struggle to afford to live and work in Montgomery County.

We also know that this unfair tax structure is imposing higher risk on those who would otherwise start new businesses. Only the already-wealthy can afford to start a new enterprise -- which means our tax code is causing us to smother potential economic expansion. We are literally strangling the innovation out of people and harming our economy in the process.

There is also an issue of fairness. While county governments do not have the ability to address income taxes in different ways to create incentives and relief, smaller municipalities already have this authority.

At a time when the stock market is reaching record highs, when already-wealthy households are accumulating even greater wealth at record speed across this country, it would be a profound social injustice to fail to address inequities and imbalances in a tax formula that imposes the greatest costs on working- and middle-income families.

Thank you.

SB 133 testimony FAV-.pdf

Uploaded by: Mosby, Baltimore City Council President Nick J.

Position: FAV

Nick J. Mosby, *President*
Baltimore City Council

100 N. Holliday Street, Room 400 • Baltimore, Maryland 21202
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January 26, 2021

To: **Members of the Budget and Taxation Committee**
Re: **SB 133 - Local Tax Relief for Working Families Act of 2021**
Position: **FAVORABLE**

Chair Guzzone, Vice Chair Rosapepe and Honorable Members of the Budget and Taxation Committee,

I am writing to express my support for Senate Bill 133, the Local Tax Relief for Working Families Act. This bill will permit local governments to impose income taxes on a bracketed basis. As the primary sponsor of similar legislation during the 2020 session, I recognized that this approach would give local governments the flexibility to give income tax relief to struggling homeowners without compromising the delivery of vital government services. The months since last session and the ongoing COVID-19 pandemic have made me more convinced this is a fairer, better way to assess local income taxes.

As the leader of the Baltimore City Council, I am keenly aware of the competitive disadvantage the city faces when we assess our residents at a rate higher than our county peers. Baltimore City is one of the twelve local jurisdictions that assess the maximum local rate of 3.2%. SB 133 would give us the flexibility to assess our wealthiest residents at a slightly rate, give much-needed relief to our working families, and put Baltimore City on a more equal tax footing with our neighbors.

I want to thank the Budget and Taxation Committee for their attention to this bill and respectfully ask for a **favorable** report.

Sincerely,

Nick J. Mosby
President, Baltimore City Council

Anne Arundel County_FAV_SB133.pdf
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Position: FAV

ANNE ARUNDEL COUNTY
MARYLAND
County Executive Steuart Pittman

January 20, 2021

Senate Bill 133

Local Tax Relief for Working Families Act of 2021
Senate Budget and Tax Committee

Position: FAVORABLE

This enabling legislation would allow local governing bodies to set local income taxes on a progressive bracket structure rather than the flat rates that exist under current law. The bill would also allow a county to raise the cap on local income taxes by 0.3% for filers whose Maryland Net Taxable Income is twice the minimum level of the state's highest bracket, those making more than half a million dollars a year. As the scenarios attached to this testimony show, those filers would only see the increased rate on their taxable income above $500,000. They would pay the same rate as every other taxpayer on their income below those levels.

In the richest state in the richest country in the world, it is unfair that a bus driver and a billionaire pay the same local income tax rate. This is not a controversial view. Federal tax rates are progressive, state tax rates are progressive, and according to recent polling 3 in 4 Marylanders think higher earners should pay higher rates. In fact, Maryland counties taxed income progressively until 1999, when we were forced to move from a piggy-back on the state's progressive rates to a flat rate.

Maryland Association of Counties (MACO) voted to support this legislation, not because its members have made up their minds to move to progressive local income taxes, but because they want the option to do so. As local leaders, all of us seek fair ways to generate the revenue we need to offset federal and state cuts and provide the infrastructure and services that our residents need. The current state ban on local income tax progressivity is unfair.

The 2017 federal tax bill and the 2020 Coronavirus pandemic have combined to grow the disparities in wealth between our highest income and lower income residents. Restoring some progressivity to local income taxes is a long-overdue step toward economic opportunity and long-term economic recovery.

Peter Baron, Government Affairs Officer Phone: 443.685.5198 Email: Peter.Baron@aacounty.org

Attachments show that in Anne Arundel County we could generate significant revenue to pay for education and local services with the passage of this bill, while only asking for very minimal help from those with incomes that are in the top 1.4% of taxpayers. We also would have the option of lowering rates on the majority of taxpayers. Every Maryland county would have similar options with passage of this bill.

Please grant Maryland jurisdictions the authority to make these important decisions on behalf of the residents who elect us with a **FAVORABLE** report on SB 133.

Steuart Pittman
County Executive

Peter Baron, Government Affairs Officer Phone: 443.685.5198 Email: Peter.Baron@aacounty.org

PLIT Charts_TY18_v4 Revised 01.15.21.pdf
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Position: FAV

Progressive Local Income Tax Scenarios for Anne Arundel County

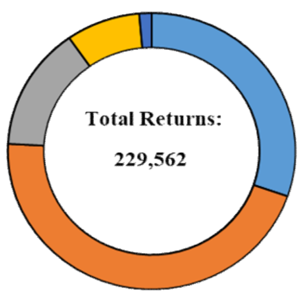
Distribution of Returns and Revenue by Bracket

Tax Year 2018 Data

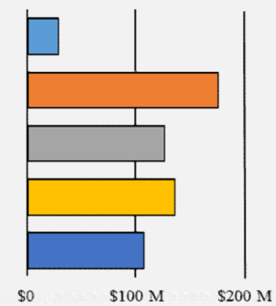
Senate Bill 133 / House Bill 319

	Current Flat Rate	***Progressive Scenario 1:*** *(Revenue Positive)* Increase Top Bracket	***Progressive Scenario 2:*** *(Revenue Positive)* Increase Top Two Brackets, Decrease Bottom Bracket	***Progressive Scenario 3:*** *(Revenue Neutral)* Increase Top Two Brackets, Decrease Bottom Bracket

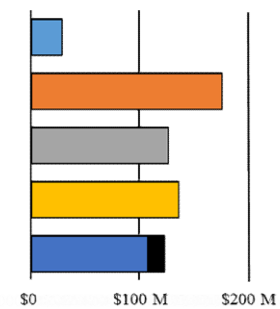
Returns by Bracket



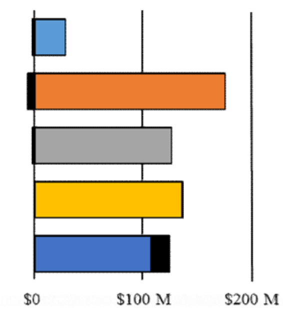
Revenue Change by Bracket



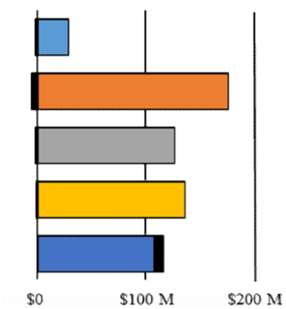
Revenue Change by Bracket



Revenue Change by Bracket



Revenue Change by Bracket



Net Taxable Income Bracket	Total Returns	Percent of Returns	Current Flat Rate: Marginal (Effective) Tax Rate	Current Flat Rate: Tax Revenue	Scenario 1: Marginal (Effective) Tax Rate	Scenario 1: Change in Tax Revenue	Scenario 2: Marginal (Effective) Tax Rate	Scenario 2: Change in Tax Revenue	Scenario 3: Marginal (Effective) Tax Rate	Scenario 3: Change in Tax Revenue
$0 - $29,999	69,544	30.29%	2.81% (2.81%)	$28,388,200	2.81% (2.81%)	$0	2.60% (2.60%)	-$2,121,500	2.65% (2.65%)	-$1,616,400
$30,000 - $99,999	104,591	45.56%	2.81% (2.81%)	$175,969,500	2.81% (2.81%)	$0	2.81% (2.70%)	-$6,589,000	2.81% (2.73%)	-$5,020,200
$100,000 - $199,999	33,115	14.43%	2.81% (2.81%)	$126,507,600	2.81% (2.81%)	$0	2.81% (2.76%)	-$2,086,200	2.81% (2.77%)	-$1,589,500
$200,000 - $499,999	19,098	8.32%	2.81% (2.81%)	$135,764,000	2.81% (2.81%)	$0	3.00% (2.82%)	$719,500	2.90% (2.81%)	-$6,000
> $500,000	3,214	1.40%	2.81% (2.81%)	$107,498,000	3.50% (3.21%)	$15,308,100	3.50% (3.25%)	$16,937,600	3.15% (3.03%)	$8,256,600
			Total:	**$574,127,300**	**Net Change:**	**$15,308,100**	**Net Change:**	**$6,860,400**	**Net Change:**	**$24,500**
					Total Revenue:	***$589,435,400***	***Total Revenue:***	***$580,987,500***	***Total Revenue:***	***$574,151,800***

Rep Taxpayer Examples_2021 Session_4 examples_REVI

Uploaded by: Pittman, Steuart

Position: FAV

Progressive Local Income Tax - Representative Taxpayer Examples
for Anne Arundel County

Progressive Senario 3: Increase top two brackets, decrease bottom bracket

Senate Bill 133 / House Bill 319

Taxable Income: $50,000 **Status Quo Tax Amount: $1,405**

Tax Bracket	Income Subject to Tax	Marginal Tax Rate	Tax Amount	Effective Tax Rate
$0 - $29,999	$29,999	2.65%	$795	
$30,000 - $99,999	$20,001	2.81%	$562	
Total	**$50,000**		**$1,357**	**2.71%**
Over (Under) Status Quo			*($48)*	

Taxable Income: $100,000 **Status Quo Tax Amount: $2,810**

Tax Bracket	Income Subject to Tax	Marginal Tax Rate	Tax Amount	Effective Tax Rate
$0 - $29,999	$29,999	2.65%	$795	
$30,000 - $99,999	$70,000	2.81%	$1,967	
$100,000 - $199,999	$1	2.81%	$0	
Total	**$100,000**		**$2,762**	**2.76%**
Over (Under) Status Quo			*($48)*	

Taxable Income: $250,000 **Status Quo Tax Amount: $7,025**

Tax Bracket	Income Subject to Tax	Marginal Tax Rate	Tax Amount	Effective Tax Rate
$0 - $29,999	$29,999	2.65%	$795	
$30,000 - $99,999	$70,000	2.81%	$1,967	
$100,000 - $199,999	$100,000	2.81%	$2,810	
$200,000 - $499,999	$50,001	2.90%	$1,450	
Total	**$250,000**		**$7,022**	**2.81%**
Over (Under) Status Quo			*($3)*	

Taxable Income: $750,000 **Status Quo Tax Amount: $21,075**

Tax Bracket	Income Subject to Tax	Marginal Tax Rate	Tax Amount	Effective Tax Rate
$0 - $29,999	$29,999	2.65%	$795	
$30,000 - $99,999	$70,000	2.81%	$1,967	
$100,000 - $199,999	$100,000	2.81%	$2,810	
$200,000 - $499,999	$300,000	2.90%	$8,700	
> $500,000	$250,001	3.15%	$7,875	
Total	**$750,000**		**$22,147**	**2.95%**
Over (Under) Status Quo			*$1,072*	

Note: The marginal tax rate only applies to income that falls within each applicable bracket.
The "status quo" tax in Anne Arundel County is a flat 2.81%.

TESTIMONY FOR SB0133 Local Tax Relief for Working

Uploaded by: Plante, Cecilia

Position: FAV

MARYLAND LEGISLATIVE COALITION

TESTIMONY FOR SB0133
LOCAL TAX RELIEF FOR WORKING FAMILIES ACT OF 2021

Bill Sponsor: Senator Rosapepe
Committee: Budget and Tax
Organization Submitting: Maryland Legislative Coalition
Person Submitting: Cecilia Plante, co-chair
Position: FAVORABLE

I am submitting this testimony in favor of SB0133 on behalf of the Maryland Legislative Coalition. The Maryland Legislative Coalition is an association of individuals and grassroots groups with members in every district in the state with well over 30,000 members.

Your constituents are struggling now in a way they have not struggled for a long time. The pandemic has destroyed any illusion of financial safety for many, many people in Maryland. Offering them some relief from taxes, in any way that is possible, will be a blessing for those that are living hand to mouth.

This bill will offer some relief by bracketing the local tax rate so that those who make less will pay less in taxes next year. In a year where the state Government is looking for revenue, assuring those hardest hit economically that the state is looking out for them is the right thing to do.

We support this bill and recommend a **FAVORABLE** report in committee.

TESTIMONY FOR SB0133 Local Tax Relief for Working
Uploaded by: Plante, Cecilia
Position: FAV

TESTIMONY FOR SB0133
LOCAL TAX RELIEF FOR WORKING FAMILIES ACT OF 2021

Bill Sponsor: Senator Rosapepe
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This bill will offer some relief by bracketing the local tax rate so that those who make less will pay less in taxes next year. In a year where the state Government is looking for revenue, assuring those hardest hit economically that the state is looking out for them is the right thing to do.

We support this bill and recommend a **FAVORABLE** report in committee.

SB 133_FrederickCoCEGardner_Support.pdf
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Position: FAV

JAN H. GARDNER

Frederick County Executive

SB 133

Local Tax Relief for Working Families Act of 2021

County Position: SUPPORT

Date: January 26, 2021
Committee: Budget & Taxation

Frederick County Executive Jan Gardner urges your **SUPPORT** for Senate Bill – 133 – Local Tax Relief for Working Families Act of 2021.

Effective tax policy is central to good government, requiring a careful balance that enables the provision of adequate services without constraining economic activity. Central to governments' ability to craft effective tax policy is the fundamental ability to make decisions as to what taxes to levy, on whom, and in what amounts. Governments must have the authority and flexibility to structure taxes in a way that allows them to move beyond addressing the need for revenue and to consider their effect on individuals, business and issues of fairness.

County Executive Gardner supports the provisions in the proposed legislation that:

- Enables local governments the ability to make basic tax policy decisions – who to tax and at what rate – that are currently available to the State and the Federal government;
- Protects local governance authority and autonomy by enabling local governments to choose the appropriate tax structure – flat or progressive – and tax rates within a capped amount; and
- Provides local governments with the ability and flexibility to structure local taxes with greater equity and fairness.

Frederick County Executive Gardner urges a **FAVORABLE** report for Senate Bill 133.

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301.600.1100 • jschaefer@frederickcountymd.gov

SB 133 _MDCEP_FAV.pdf
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Position: FAV

Increasing Local Fiscal Autonomy Will Support Vital County and City Investments

Position Statement in Support of Senate Bill 133

Given before the Senate Budget and Taxation Committee

All Marylanders depend on an effective state revenue system that can support bedrock investments such as education, health care, and transportation. Just as importantly, effective local revenue systems are vital for the essential services counties, municipalities, and Baltimore City provide. The Maryland Center on Economic Policy supports Senate Bill 133 because it would expand the range of options available to local policymakers to raise to maintain effective and equitable revenue systems.

Because the state and local governments work together to provide foundational services such as education and public health, local governments face many of the same costs that drive the state's revenue needs. Yet local jurisdictions have much less latitude to set fiscal policy that fits their individual context and needs. Today, the statewide cap on county income tax rates prevents half of Maryland counties (including Baltimore City) from generating additional revenue from this source. Senate Bill 133 would increase local policymakers' flexibility to match their revenue policies to their residents' needs.

The local income tax is counties' second-most important stream of own-source revenue after the real property tax. It is also the most equitable local revenue source. Because landlords are able to pass property taxes through to tenants in the form of higher rent, property taxes can place disproportionate tax responsibilities on families with low incomes. Families with income below $24,000 pay a larger share of their income in property taxes than any other income group, while those with annual family income between $44,000 and $120,000 face above-average property tax responsibilities.[i] Meanwhile, the wealthiest 1 percent of households pay a smaller share of their income in property taxes than any other income group. In contrast, the local income tax help balance local revenue systems by asking more of the individuals with the greatest ability to pay.

Strong evidence tells us that asking the wealthiest individuals to contribute to the services we all rely on is consistent with a vibrant economy:

- The bulk of empirical research finds little link between state tax policy and where people want to live.[ii] This is consistent with common sense: For most of us, factors like good jobs, affordable housing, great schools, pleasant weather, and being close to relatives are far more important than tax rates.
- Careful research also shows that wealthy individuals relocate less often than other families, and that taxes aren't an economically important driver of where they settle down.[iii] This, too, is little surprise: Uprooting your life to reduce your tax responsibilities may not be an attractive option if you have invested time and money in a good job, a business, or a comfortable home, or if you are embedded in your community's civic life.

As Marylanders consider the major state and local investments we will need to strengthen the foundations of our economy in future years—from world-class schools to high-quality health care—we should ensure that local policymakers have sufficient flexibility to raise the revenue needed to support high-quality services. This is especially important in light of the above-average education funding responsibilities that may soon face jurisdictions that currently have limited tax policy options. Senate Bill 133 would strengthen local governments' ability to invest in essential services while making their tax codes more equitable.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Budget and Taxation Committee make a favorable report on Senate Bill 133.

Equity Impact Analysis: Senate Bill 133

Bill summary

Senate Bill 133 enables counties and Baltimore City to levy graduated income taxes and increases the maximum tax rate from 3.2 percent to 3.5 percent.

Equity Implications

Senate Bill 133 would bring significant equity benefits:

- Expanding local revenue policy options would strengthen local governments' ability to invest in things like world-class schools, reliable transportation infrastructure, and a good quality of life. Investing in these basics strengthens our economy and can dismantle the economic barriers that too often hold back Marylanders of color.
- Today, the wealthiest 1 percent of Maryland households pay a smaller share of their income in state and local taxes than the rest of us do. Senate Bill 133 would make our tax code more balanced by granting local governments greater latitude to raise revenue in the most equitable manner available to them.
- The Kirwan Commission recommendations have the potential to strengthen economies across Maryland in the coming decades. In the short term, it is important to ensure every county can generate the revenue needed to invest in schools. This has especially great equity implications because the local jurisdictions facing the greatest additional funding responsibilities are also the state's only two majority-Black county equivalents and currently have among the most underfunded public schools in the state.

Impact

Senate Bill 133 would likely **improve racial and economic equity** in Maryland.

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[i] Meg Wiehe, Aidan Davis, Carl Davis, Matt Gardner, Lisa Gee, and Dylan Grundman, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States," Institute on Taxation and Economic Policy, 2018, https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf
Maryland-specific data available at https://itep.org/whopays/maryland/

[ii] Michael Mazerov, "State Taxes Have a Negligible Impact on Americans' Interstate Moves," Center on Budget and Policy Priorities, 2014, https://www.cbpp.org/research/state-budget-and-tax/state-taxes-have-a-negligible-impact-on-americans-interstate-moves

[iii] Cristobal Young, Charles Varner, Ithai Lurie, and Richard Prisinzano, "Millionaire Migration and Taxation of the Elite: Evidence from Administrative Data," *American Sociological Review 81*(3), 2016, https://web.stanford.edu/~cy10/public/Jun16ASRFeature.pdf
See also Cristobal Young, *The Myth of Millionaire Tax Flight: How Place Still Matters for the Rich*, Stanford: Stanford University Press, 2018

SB 133 - MoCo (GA 21).pdf
Uploaded by: Wenger, Melanie
Position: FAV

Montgomery County
Office of Intergovernmental Relations

ROCKVILLE: 240-777-6550 **ANNAPOLIS: 240-777-8270**

SB 133 **DATE: January 22, 2021**

SPONSOR: Senator Rosapepe

ASSIGNED TO: Budget and Taxation

CONTACT PERSON: Melanie Wenger (melanie.wenger@montgomerycountymd.gov)

POSITION: Support

Local Tax Relief for Working Families Act of 2021

Senate Bill 133 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, and increases the lowest rate allowed from 1% to 2.25%. The bill also allows counties, after tax year 2021, to apply tax rates on a bracket basis; however, applying lower rates on higher income tax brackets than rates applied to lower income tax brackets is prohibited.

Currently, counties do not have the opportunity to create a progressive local income tax system. By State law, a county is allowed to set one rate, between 1% and 3.2%. That single local rate is applied against a taxpayer's taxable income. The State rates vary and they are applied on a bracket basis. So, as taxable income increases, rates increase, making the State's system progressive. Senate Bill 133 would allow counties that would like to create greater progressivity in their local income tax structures the ability to do so. For counties whose rates are below the current maximum rate of 3.2%, various options exist to create a more progressive system, including one that could be revenue neutral. However, for counties whose local income tax rates are already at the maximum, creating a more progressive system will result in a loss of revenue unless the current top rate of 3.2% is increased. Senate Bill 133 addresses that problem by establishing a maximum rate of 3.5%, which may only be applied at very high-income levels.

Montgomery County supports Senate Bill 133. It is an important tool that would allow Montgomery County to introduce greater progressivity in the application of its local income tax – and not necessarily as a license to raise taxes and generate new revenue. Progressive systems of taxation have always been a core principal of creating a fair and equitable system of taxation. This bill reflects that core value and for that reason, the County respectfully request that the Senate Budget and Tax Committee advance Senate Bill 133.

SB133 - FAV - MSEA,Zwerling.pdf
Uploaded by: Zwerling, Samantha
Position: FAV

MARYLAND STATE EDUCATION ASSOCIATION

140 Main Street
Annapolis, MD 21401
800 448 6782
410 263 6600

marylandeducators.org

Testimony SUPPORT of Senate Bill 133
Local Tax Relief for Working Families Act of 2021

Senate Budget and Taxation Committee
January 20, 2021

Samantha Zwerling
Government Relations

The Maryland State Education Association supports SB 133, which gives counties the authority to create a progressive structure in the local income tax. The bill allows counties to create brackets and increase the top rate to 3.5% from 3.2%. The bill could help local governments create a fairer tax structure and raise needed revenue to implement the new school funding formula our students and schools need.

MSEA represents 75,000 educators and school employees who work in Maryland's public schools, teaching and preparing our 896,837 students for careers and jobs of the future. MSEA also represents 39 local affiliates in every county across the state of Maryland, and our parent affiliate is the 3 million-member National Education Association (NEA).

SB 133 gives counties additional flexibility to set taxing policy that works for their communities. This enabling legislation gives local leaders another tool when crafting local tax policy and could help raise additional funds for priorities like public education.

MSEA supports passage of an adequate, sustainable, predictable revenue stream that will adequately fund both the operating and construction costs of our public schools. A great public school for every child means our students have updated technology, small manageable classes, safe and modern schools, proper healthcare and nutrition, and have highly qualified and highly effective educators.

The Kirwan Commission has determined that the state and county governments will need to invest substantially more resources into education for our citizens become truly successful in the very competitive national and global economies. And schools will need even more funding to make up for the academic and social-emotional impacts of the COVID-19 pandemic. Senate Bill 133 is part of that funding solution for locals.

MSEA urges a Favorable Report on Senate Bill 133.

Senate Bill 133

Local Tax Relief for Working Families Act of 2021

MACo Position: **SUPPORT WITH AMENDMENTS**

To: Budget and Taxation Committee

Date: January 26, 2021

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** SB 133's flexibility in tailoring local revenue structures to serve and react to community needs **WITH AMENDMENTS** to guard against unintended consequences for counties eligible for state aid under the disparity grant program.

In general, MACo stands for local self-determination. Counties, led by their elected leaders who are directly accountable within the community, are in the best position to make decisions on local affairs – ranging from land use to fiscal matters. SB 133 provides counties with the proper tools and flexibility to levy the local income tax with greater equity and fairness.

This bill authorizes counties to impose the local income tax on a bracket basis and raises the maximum rate from 3.2% to 3.5% for specified taxpayers. Under the bill, a county that chooses to impose the local income tax on a bracket basis must set, by ordinance or resolution, the income brackets that apply to each tax rate and inform the Comptroller by July 1 prior to the year in which a new bracket is established. Further, a county may apply a higher or equal tax rate to a higher income bracket than a rate applied to a lower income tax rate but may not apply a lower rate. Finally, a county may request data from the Comptroller to assist in determining rates that are revenue neutral.

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 schools, public health, public safety, roadway maintenance, and community services.

The disparity grant formula is calculated based on local income tax rates, whereby less affluent counties with a maximum local income tax rate of 3.2% receive an additional tier of state aid. Counties have made difficult tax rate decisions based on the state law governing these grants – to undermine them would be especially untoward even during times of mutual fiscal strain. Accordingly, MACo insists that the State continues to recognize 3.2% as the required county income tax rate to establish eligibility for the "high effort" tier of the disparity grant program.

This bill provides counties with flexible and optional tools to serve and react to local needs and priorities. For these reasons, MACo **SUPPORTS** SB 133 **WITH AMENDMENTS** to ensure the State maintains its commitment to the disparity grant program.

SB133 - Local Tax Relief for Working Families NAI
Uploaded by: Ballentine, Tom
Position: UNF

January 22, 2021

The Honorable Guy Guzzone, Chair
Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

Oppose: SB 133 - Local Tax Relief for Working Families Act

Dear Chair Guzzone and Committee Members:

The NAIOP Maryland Chapters represent more than 700 companies involved in all aspects of commercial, industrial, and mixed-use real estate. On behalf of our member companies, I am writing today in opposition to Senate Bill 133 which would increase the minimum and maximum local income tax rates and permit rates to be bracketed based on income.

Most real estate is owned and managed through partnerships and passthrough entities that would pay higher rates under the structure proposed in SB 133. The changes would exacerbate the already disproportionate share of local government services financed by commercial real estate taxes and fees.

Between 2010 and 2019, the commercial real estate tax base expanded by $55 billion and comprised 25% of the state-wide tax base in 2019 up from 19% in 2010. The increase in commercial base offset steep declines in the residential and agricultural tax base and today commercial property owners are paying a larger percentage of the cost of local services than a decade ago.

2010-2019 The Commercial Real Property Tax Base Increased $55B, Offsetting Declines in Other Classes

	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**10-19**
Residential	598.7	577.4	530.0	501.0	489.6	502.2	531.1	536.7	554.2	571.1	-27.6
Commercial	135.4	140.0	145.9	143.5	160.9	169.0	169.0	177.1	185.2	190.8	55.4
Agricultural	13.6	13.5	12.7	12.1	11.8	11.9	12.0	12.2	12.3	12.4	-1.2

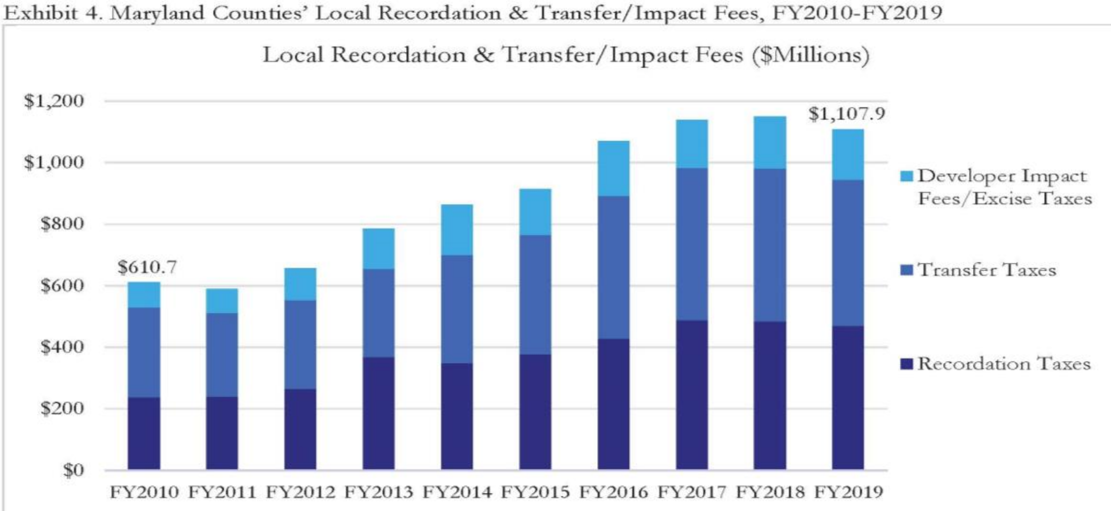
Values in Billions of Dollars, Source: SDAT Annual Reports

In 2018 the Tax Foundation reported Maryland was 5th in the nation in per capita collection of excise taxes. Commercial real estate companies pay these taxes and fees at disproportionately high rates compared to other industries and the general public.

According to a recent Sage Policy Group analysis, these taxes represent a growing percentage of general fund revenues, *"FY2010, revenues from real estate-related taxes/fees such as recordation and transfer taxes, impact fees, and excise taxes represented about 5 percent of local governments' total general fund revenues. That share reached 7.5 percent in FY2019. Real estate-related revenue has generally climbed faster than revenue from other sources."*

Some of this increase can be explained by higher transaction volume and valuations. But during this time local governments, reluctant to increase broader taxes, increased the recordation and transfer tax rates to fund public services including education. Another inflationary factor has been the influence of local governments converting to construction excise taxes. Unlike the development impact fees they replaced; the amount of an excise tax does not have to be closely related to the actual cost of providing public facilities.

Exhibit 4. Maryland Counties' Local Recordation & Transfer/Impact Fees, FY2010-FY2019



Source: Maryland Department of Legislative Services (DLS). "Overview of Maryland Local Governments, Finances and Demographic Information" reports.

After years of a tax code poorly aligned with economic activity, the cost of providing government services has increasingly been embedded in the land development entitlement process and in increased marginal costs for commercial real estate fees and taxes. This has hurt affordability in the multifamily sector increased debt in the commercial and industrial sectors and caused the state to fall short of its economic development potential.

Although NAIOP opposes the changes in SB 133 we do think the approach could be considered as part of a comprehensive review and reform of state and local tax structure that seeks to broaden the revenue base and rely less on real estate, transfer, recordation, and excise taxes.

For these reasons NAIOP respectfully recommends your unfavorable report on SB 133

Sincerely;

T.M. Ballentine

Tom Ballentine, Vice President for Policy
NAIOP Maryland Chapters -*The Association for Commercial Real Estate*

cc: Senate Budget and Tax Committee Members
Nick Manis – Manis, Canning Assoc.

NFIB - Local Taxes - Bracket Basis and Increase -
Uploaded by: O'Halloran, Mike
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SB133

NFIB-Maryland – 60 West St., Suite 101 – Annapolis, MD 21401 – www.NFIB.com/Maryland

TO: Senate Budget and Taxation Committee

FROM: NFIB – Maryland

DATE: January 26, 2021

RE: **OPPOSE SENATE BILL 133** – Local Tax Relief for Working Families Act of 2021

Founded in 1943, NFIB is the voice of small business, advocating on behalf of America's small and independent business owners, both in Washington, D.C., and in all 50 state capitals. With more than 250,000 members nationwide, and nearly 4,000 here in Maryland, we work to protect and promote the ability of our members to grow and operate their business.

On behalf of Maryland's small businesses, NFIB opposes Senate Bill 133 – legislation that authorizes local governments to impose the county income tax on a bracket basis. It also raises from 1% to 2.25%, the minimum rate a county must impose on an individual's taxable income. Finally, HB319 raises the maximum rate a county may impose on an individual's taxable income to 3.5%.

NFIB is concerned small business owners that have operated in their current location for years could face higher taxes if their local government elects to adopt the tax provisions set out in SB133. Given Maryland's unique geography and compact size, SB133 will put small businesses in such counties at a competitive disadvantage to their neighbors, not just over state lines, but now over county lines.

NFIB strongly supported legislation last year establishing a commission to evaluate the State's current tax systems and make recommendations to ensure Maryland's tax policy is competitive with surrounding jurisdictions and encourages business growth and job creation. Our members and their workers have faced financial hardships not seen in generations because of the COVID-19 pandemic.

We encourage the General Assembly to revisit the idea of such a commission before passing legislation like SB133 which creates more of a financial web small business owners must work through to ensure they remain competitive and financially viable.

For these reasons, **NFIB opposes SB133** and request an unfavorable report.