



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.



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