MARYLAND LEGISLATIVE COALITION

TESTIMONY FOR SB0270
More Local Tax Relief for Working Families Act of 2023

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 SB0270 on behalf of the Maryland Legislative Coalition. The Maryland Legislative Coalition is an association of activists - individuals and grassroots groups in every district in the state. We are unpaid citizen lobbyists and our Coalition supports well over 30,000 members.

This bill will alter, from 3.2% to 3.7%, the maximum tax rate a county may impose on an individual's Maryland taxable income. This bill will allow more counties to provide tax relief to low- and middle-income residents by increasing the tax rate on high-income residents.

It will allow counties more flexibility in managing their tax rates, and therefore their revenue stream and it will also allow counties to support those residents who struggle financially.

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

TESTIMONY HB0142_SB0270.pdf
Uploaded by: Jared Schablein
Position: FAV

TESTIMONY FOR HB0142/SB0270

More Local Tax Relief for Working Families Act of 2023

Bill Sponsor: Delegate Palakovich Carr & Senators Rosapepe

Committee: Budget and Taxation

Organization Submitting: Lower Shore Progressive Caucus

Person Submitting: Jared Schablein, Chair

Position: FAVORABLE

I am submitting this testimony in favor of SB0270 on behalf of the Lower Shore Progressive Caucus. The Caucus is a political and activist organization on the Eastern Shore, unaffiliated with any political party, committed to empowering working people by building a Progressive movement on the Lower Eastern Shore.

The maximum tax rate that a county may charge on an individual's income will change as a result of this measure from 3.2% to 3.7%.

Taxable income in Maryland. By raising the tax rate on high-income individuals, this bill will allow more counties to offer tax assistance to low- and middle-income residents.

Counties will have more freedom to manage their tax rates and, consequently, their revenue stream. They will also be able to assist individuals who are struggling financially.

It is for these reasons the Lower Shore Progressive Caucus supports this bill and recommends a **FAVORABLE** report in committee.

SB 270_MD Center on Economic Policy_FAV.pdf
Uploaded by: Kali Schumitz
Position: FAV

FEBRUARY 8, 2023

Increasing Local Fiscal Autonomy Will Support Vital County and City Investments

Position Statement in Support of Senate Bill 270

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 270** because it would expand the range of options available to local policymakers to maintain effective and equitable revenue systems.

Because the state and local governments work together to provide foundational services such as public health and education, 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 nearly half of Maryland counties from generating additional revenue from this source. Senate Bill 270 would increase local policymakers' flexibility to match their revenue policies to their residents' needs by levying a higher tax rate on only extremely wealthy residents, while in most cases simultaneously lowering their bottom income tax rate.

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% of households pay a smaller share of their income in property taxes than any other income group. In contrast, the local income tax helps 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 the era of explosive state and local revenue growth draws to an end, we should ensure that local policymakers have sufficient flexibility to raise the revenue needed to support high-quality services. Senate Bill 270 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 Budget and Taxation Committee make a favorable report on Senate Bill 270.

Equity Impact Analysis: Senate Bill 270

Bill summary

Senate Bill 270 increases from 3.2% to 3.7% the maximum allowable county tax rate only for residents whose taxable income exceeds double the highest state income tax bracket. Under the current state tax brackets, the threshold would be $500,000 for single filers or $600,000 for joint filers. If the tax rate for the county's lowest income tax bracket exceeds 2.25% (the state minimum), the county may set a top rate greater than 3.2% only if it simultaneously decreases the bottom rate.

Equity Implications

Senate Bill 270 would bring significant equity benefits:

- Expanding local revenue policy options would strengthen local governments' ability to invest in things like public health, world-class schools, and reliable transportation infrastructure. Investing in these basics strengthens our economy and can dismantle the economic barriers that back Marylanders of color.
- Today, the wealthiest 1% of Maryland households pay a smaller share of their income in state and local taxes than the rest of us do. Senate Bill 270 would make our tax code more balanced by granting local governments greater latitude to raise revenue in the most equitable manner available to them.

Impact

Senate Bill 270 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

SB0270-BT_MACo_SUP.pdf
Uploaded by: Kevin Kinnally
Position: FAV

MARYLAND Association of COUNTIES

Senate Bill 270

More Local Tax Relief for Working Families Act of 2023

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: February 8, 2023

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** SB 270 as it provides counties with the necessary tools and flexibility to levy the local income tax with greater equity and fairness.

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 270 affords counties optional tools to tailor local revenue structures to serve and react to community needs.

In 2021, the General Assembly approved legislation authorizing counties to levy the local income tax on a bracket basis – standard practice for state and federal tax regimes. While some counties have successfully enacted local brackets, others cannot achieve a more equitable system without jeopardizing significant resources for schools, housing, health, public safety, roadway maintenance, and other essential public services.

While the enabling legislation envisioned allows counties to enact revenue-neutral rate structures, half of Maryland counties levy the maximum income tax of 3.2%. Absent the flexibility to exceed the cap under limited circumstances, these counties cannot reduce the tax burden on low-to-moderate income earners while remaining revenue neutral.

As such, for counties electing to impose the local income tax on a bracket basis, this bill raises the maximum rate from 3.2% to 3.7% for specified taxpayers. Under the bill, a county may impose a rate higher than 3.2% only on incomes twice as high as the income bracket to which the highest individual and married filing joint returns apply in Maryland. Further, the higher rate cap only applies if a county concurrently reduces the income tax rate applicable to the lowest income bracket.

SB 270 ensures county governments have the necessary tools and proper flexibility to enact policies that serve and react to local community input and priorities. Accordingly, MACo urges the Committee to issue a **FAVORABLE** report for SB 270.

SB270_ MSEA_Zwerling_FAV.pdf
Uploaded by: Samantha Zwerling
Position: FAV

MARYLAND STATE EDUCATION ASSOCIATION

140 Main Street
Annapolis, MD 21401
800 448 6782
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marylandeducators.org

Testimony SUPPORT of Senate Bill 270
More Local Tax Relief for Working Families Act of 2023

Senate Budget & Taxation Committee
February 8, 2023

Samantha Zwerling
Government Relations

The Maryland State Education Association supports Senate Bill 270, which gives counties greater authority raise revenue in a fair manner to fund priorities like education. The bill allows counties to increase the top rate to 3.7% from 3.2%. The bill could help local governments create a fairer tax structure and raise needed revenue to implement the Blueprint for Maryland's Future with fidelity.

MSEA represents 75,000 educators and school employees who work in Maryland's public schools, teaching and preparing our almost 900,000 students so they can pursue their dreams. 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 270 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.

Implementing the Blueprint for Maryland's Future with fidelity and making up for the educational, and social-emotional and behavioral health impacts of the COVID-19 pandemic will take considerable resources. As recently described in the Department of Legislative Services' Fiscal Briefing to this committee, the state of Maryland is now better identifying students in poverty. This has led to 34.2% increase or 110,501 students from last year that have been identified as eligible for free or reduced priced meals. This will have a financial impact on the state, as Maryland understands that these students need more resources.

MSEA urges a Favorable Report on Senate Bill 270.

Anne Arundel County_FAV_SB270.pdf
Uploaded by: Steuart Pittman
Position: FAV

ANNE ARUNDEL COUNTY
MARYLAND
County Executive Steuart Pittman

February 8, 2023

Senate Bill 270

More Local Tax Relief for Working Families Act of 2023
Senate Budget and Taxation Committee

Position: FAVORABLE

This enabling legislation would allow counties to set progressive local income tax rates of up to 3.7% on high income earners while requiring counties that exceed 3.2% to lower taxes on lower income earners.

Two years ago, the Maryland General Assembly gave local jurisdictions the authority to set our income tax rates on a progressive basis, while staying within the existing local income tax rate limit of 3.2%. This is not a controversial structure. Federal tax rates are progressive, state tax rates are progressive, and according to recent polling three out of four 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.

Anne Arundel County is one of two counties to use this new authority. The flexibility provided allowed us to cut taxes for all income below $50,000 in our 2023 budget. The Maryland Association of Counties (MACo) voted to support this legislation because counties want more flexibility to be able to meet the needs of our residents in an equitable way. 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 deserve.

The 2017 federal tax bill and the 2020 Coronavirus pandemic increased the disparities in wealth between our highest income and lowest income residents. Allowing counties greater progressivity in local income taxes is a long-overdue step toward greater economic opportunity and long-term economic recovery.

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 taxpayers with the highest incomes. 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 270.

Steuart Pittman
County Executive

Peter Baron Phone: 443.685.5198 Email: Peter.Baron@aacounty.org

SB0270 -- More Local Tax Relief for Working Famili
Uploaded by: Brian Levine
Position: UNF

Senate Bill 270 -- *More Local Tax Relief for Working Families Act of 2023*
Senate Budget and Taxation Committee
February 8, 2023
Oppose

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, opposes Senate Bill 270 -- *More Local Tax Relief for Working Families Act of 2023.*

Senate Bill 270 proposes to alter the maximum tax rate that a county may impose on an individual's Maryland taxable income from 3.2% to 3.7%.

MCCC is concerned about the impact this bill would have on the perception of Maryland as a high-tax state. This perception harms Maryland's business competitiveness and thus makes it more difficult to grow economic activity, create good jobs, and convince businesses to locate or expand. Montgomery County, and perhaps other counties around the State, should not want the distinction of having the highest income tax rate in the Maryland.

The Chamber opposes increasing business taxes that are proposed without first examining the State's entire tax structure. In this case, if a county authorizes their income tax rate change from 3.2% to 3.7%, they are choosing to increase taxes on not just higher earning single and joint filers, they are also choosing a 15.6% tax increase on small businesses. Businesses that are registered as sole proprietorships, partnerships, and limited liability companies (LLCs) pay taxes at the income tax rate, not Maryland's corporate tax rate.

During the 2021 session, the Maryland General Assembly passed SB 133 -- *Local Tax Relief for Working Families Act of 2021*, which authorized counties to institute a graduated tax structure. It should be noted that at that time legislators chose to amend out language allowing counties to exceed the current maximum 3.2% local income tax rate. The Chamber urges legislators to take similar action with this proposal to increase taxes.

For these reasons, the Montgomery County Chamber of Commerce opposes Senate Bill 270 and respectfully requests an unfavorable report.

The Montgomery County Chamber of Commerce, on behalf of our nearly 500 members, advocates for growth in business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and a proud Montgomery County Green Certified Business.

Brian Levine | Vice President of Government Affairs
Montgomery County Chamber of Commerce
51 Monroe Street | Suite 1800
Rockville, Maryland 20850
301-738-0015 | www.mcccmd.com

MBIA Letter of Opposition SB 270.pdf
Uploaded by: Lori Graf
Position: UNF

MARYLAND BUILDING INDUSTRY ASSOCIATION
11825 West Market Place | Fulton, MD 20759 | 301-776-6242

January 18, 2023

The Honorable Guy Guzzone
Senate Budget and Taxation Committee
Miller Senate Office Building,
3 West Wing 11 Bladen St.,
Annapolis, MD, 21401

RE: Opposition SB 270 More Local Tax Relief for Working Families Act of 2023

Dear Chairman Guzzone:

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion surrounding **SB 270 More Local Tax Relief for Working Families Act of 2023.** MBIA **Opposes** the Act in its current version.

This bill would alter, from 3.2% to 3.7%, the maximum tax rate that a county may impose on an individual's Maryland taxable income, subject to certain limitations. MBIA opposes this measure, as we believe that any raise in taxes makes Maryland more expensive to live in and hurts our competitive advantage. Also, this bill would create economic uncertainty with differing tax rates in each county.

For these reasons, MBIA respectfully requests the Committee give this measure an unfavorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the Senate Budget and Taxation Committee

SB270_NFIB_unf (2023).pdf

Uploaded by: Mike O'Halloran

Position: UNF

SB270

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

TO: Senate Budget and Taxation Committee

FROM: NFIB – Maryland

DATE: February 8, 2023

RE: **OPPOSE SENATE BILL 270** – More Local Tax Relief for Working Families Act of 2023

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 270 – legislation that increases the maximum income tax rate a county may impose on Maryland taxable income. The increase goes from 3.2% to 3.7%.

NFIB is concerned small business owners will see their local income taxes raised again on the heels of SB133/HB319 (2021). That legislation required all counties and the City of Baltimore to impose a minimum 2.25% local income tax on Maryland taxable income. Further, it set a maximum of 3.2%. According to SB270's fiscal note, 10 counties and the City of Baltimore now impose the highest allowable tax rate. This legislation would let those jurisdictions go even higher making it less affordable for small businesses to operate in those areas. That would be to the detriment of consumers and clients in those communities.

Given Maryland's unique geography and compact size, SB270 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 in 2020 (SB223/HB185) establishing a commission to evaluate the State's 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 SB270 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 SB270** and request an unfavorable report.

SB0270LocalTaxReliefWorkingFamilies2023-Unfav.pdf

Uploaded by: Nelda Fink

Position: UNF

Unfavorable – SB0270 More Local Tax Relief for Working Families Act of 2023

Nelda Fink
MD District 32

The title of this bill misrepresents the verbiage in the bill. If that was intentional, then the sponsor or writer of this bill is committing fraud.

There is no tax **RELIEF** when the maximum county rate is **RAISED** from 3.2% to 3.7%. And it lets the county go hog wild on the rich if the county so desires. That's what I understand from paragraphs D(1) and D(2). This bill is confusing. Perhaps that is intentional as well. Again where is the **RELIEF**???

Provide clarity, transparency and true relief to the county taxpayers and then I might be in favor of it. But as it currently is written, I oppose this bill completely.

I oppose this bill and urge the members of the committee to vote unfavorable.

Nelda Fink

LOI- SB0270 - More Local Tax Relief for Working Fa

Uploaded by: Debora Gorman

Position: INFO

LETTER OF INFORMATION

Senate Bill 270 – More Local Tax Relief for Working Families Act of 2023
Budget and tax Committee
February 8, 2022

This bill increases to 3.7% the maximum county tax rate for taxable years beginning after December 31, 2023. A county may only impose a tax rate of over 3.2% on income that is two times the highest state bracket. Further, a county may only impose a rate higher than 3.2% without lowering the rate on the lowest bracket. The lowest rate is 2.25%.

The expected result of this legislation is that more counties will enact local tax brackets, as the bill creates a structure that will allow counties to enact bracketed tax regimes without losing revenue.

The absence of a predefined framework for how counties can determine the rules for applying a bracketed local income tax imposes an impossible administrative burden on the Comptroller. In the absence of any controls, the Comptroller may be required to develop and administer up to 23 different local tax bracket regimes. Based on the Comptroller's capabilities, we strongly urge the Committee to adopt the following alternative framework.

1. Limit the number of local income tax brackets to no more than (4) four, at set income thresholds for <u>all</u> counties (including any who may have previously opted-in without these restrictions). The number of brackets should be the <u>same for all counties</u>, be that 2, 3, or 4 brackets. The Comptroller requires no more than 4 separate rates in order to efficiently administer the bracketed local income tax.
The income thresholds listed below are *suggestions*. **The legislature, with input from the counties, is encouraged to set these thresholds at whatever levels they deem appropriate.** However, all counties that opt-in to the bracketed local income tax must have the same thresholds. For example:

Single, Married Filing Separate, and Dependent	Married Filing Joint, Head of Household, and Qualifying Widow(er) with Dependent Child	
Taxable net income	**Taxable net income**	**Taxed at this rate (determined separately by each county that opts-in):**
At least $0 but not over $50,000	At least $0 but not over $100,000	
Over $50,000 but not over $100,000	Over $100,000 but not over $200,000	

Over $100,000 but not over $150,000	Over $200,000 but not over $300,000	
Over $150,000	Over $300,000	

2. Each county that opts-in to local income tax brackets could set their own rate, withing the statutory limits, for each bracket. Choosing a single rate for multiple brackets would have the effect of widening the bracket at the selected rate in that county. For example:

Single, Married Filing Separate, and Dependent	Married Filing Joint, Head of Household, and Qualifying Widow(er) with Dependent Child	
Taxable net income	**Taxable net income**	**Taxed at this rate:**
At least $0 but not over $50,000	$0 and $100,000	2.25%
Over $50,000 but not over $100,000	$100,000 and $200,000	2.25%
Over $100,000 but not over $150,000	$200,000 and $300,000	3.70%
$150,000 and up	$300,000 and up	3.70%

Note: choosing the same rate for <u>all</u> brackets produces the same result as not opting-in to the local bracket framework. In a county that set the same rate for all brackets, all income would be taxed at that single local rate.

3. Bracketed local income tax shall be applied on a progressive basis. Income up to the maximum in the first bracket is taxed at the rate associated with that bracket. Income within the second bracket is taxed at the rate applicable to the second bracket, etc. For example, in the sample chart below, the first $50,000 for a single filer is taxed at 2.25%; income over $50,000 and up to $75,000 is taxed at 2.50%, etc.

Single, Married Filing Separate, and Dependent	Married Filing Joint, Head of Household, and Qualifying Widow(er) with Dependent Child	
Taxable net income	**Taxable net income**	**Taxed at this rate:**
$0 and $50,000	$0 and $100,000	2.25%
$50,000 and $100,000	$100,000 and $200,000	2.50%
$100,000 and $150,000	$200,000 and $300,000	3.00%
$150,000 and up	$300,000 and up	3.70%

4. The Comptroller estimates it needs 2 years to design and implement changes of this magnitude, given other existing priorities (e.g., cannabis, EIC expansion). We ask that it be made applicable to tax years beginning after December 31, 2024.

As always, the Comptroller's Office is willing and available to answer any questions you may have at your convenience. Please contact Justin Hayes, Director of State Affairs at jhayes@marylandtaxes.gov or 410-260-7696.