

Chipping Away at Transportation Revenue Would Make Marylanders' Lives Harder

Position Statement in Opposition to House Bill 730

Given before the House Ways and Means Committee

An effective revenue system is an essential tool to enable Maryland to invest in the foundations of our economy such as education, health care, and transportation. All Marylanders benefit when we have sufficient resources to invest in the basics, and these investments can be particularly important to break down the barriers – built through past and present policies – that hold back many Marylanders because of their race, gender, a disability, or another aspect of their identity. **The Maryland Center on Economic Policy opposes House Bill 730** because it would place counterproductive restrictions on the state's ability to raise revenues and invest in Maryland communities.

In general, taxes can be structured in two ways:

- Ad valorem taxes are calculated as a percentage of the price or value of a transaction. The sales tax and income tax are prominent examples of ad valorem taxes. In general, inflation adjustment does not apply to ad valorem taxes. Certain ad valorem social insurance payroll contributions are periodically adjusted within statutorily defined ranges to maintain fund solvency.
- Excise taxes are calculated as a dollar amount per unit. The most prominent state excise tax is the motor fuel tax. Inflation adjustment is necessary to ensure that excise taxes maintain their value as prices throughout the economy increase.

House Bill 730 would make it harder for the state to meet Marylanders' needs for two reasons:

- In the case of social insurance payroll contributions, the bill would hinder the state's ability to maintain adequate fund balances and pay benefits such as unemployment insurance and paid family and medical leave.
- In the case of excise taxes, the bill would impose automatic annual cuts to the value of tax collected, gradually chipping away at revenues and ultimately rendering them negligible.

Furthermore, House Bill 730 would *weaken* democratic accountability by unreasonably restricting policymakers' ability to legislate to serve the public interest.

For these reasons, the Maryland Center on Economic Policy respectfully asks that the Ways and Means Committee make an unfavorable report on House Bill 730.

Equity Impact Analysis: House Bill 730

Bill summary

House Bill 730 would amend the Maryland Constitution to prohibit inflation adjustment or other administrative adjustments of tax rates.

Background

The motor fuel tax is the most prominent Maryland tax subject to inflation adjustment. Fuel tax revenues are projected to total \$1.5 billion in fiscal year 2024, supplying 25% of the funding for Maryland's Transportation Trust Fund.

Between July 1, 2022, and June 30, 2023, the per gallon motor fuel tax rate is equal to 42.70 cents (gasoline and clean-burning fuel), 43.45 cents (diesel fuel/biodiesel), and 7.00 cents (aviation gasoline and turbine fuel).

Over several years, surveys of business executives' site selection priorities have consistently found that highway access is among business leaders' highest priorities when choosing where to locate a new facility, outranking taxes, regulations, and subsidies.ⁱ

Equity Implications

Considering specifically the impact of House Bill 730 on transportation revenues, weakening our ability to invest in Maryland's transportation systems would likely worsen existing transportation inequities. As a result of our past choices about where and how to invest in our transportation system, Black Marylanders have longer average commutes to work than their white counterparts. The difference is widest in areas of our state where workers of color live in the highest numbers. In some areas, Black workers commute up to 55 hours more each year than their white neighbors.ⁱⁱ

Impact

House Bill 730 would likely **worsen racial and economic equity** in Maryland.

ⁱ Geraldine Gambale, 2022, and MDCEP analysis of historical *Area Development* business location surveys.

ⁱⁱ Meyer, 2018