



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

**Testimony in Support of HB 142
More Local Tax Relief for Working Families Act of 2023**

This enabling legislation would provide more counties the ability to cut local income taxes on low and moderate incomes and to do so in a revenue neutral way.

In 2021, we enacted legislation to allow counties to create local income tax brackets that are tiered based on taxpayers' annual income. The purpose of that law was to move away from flat, regressive taxes and to allow counties to adopt multiple income brackets.

Anne Arundel and Frederick Counties have taken advantage of this new authority to provide targeted tax relief to working families. Anne Arundel County cut its tax rate from 2.81% to 2.7% for the first \$50,000 of every taxpayer's income. Frederick County cut its tax rate from 2.96% to 2.75% for all taxpayers earning under \$50,000 (single filers) and 100,000% (joint filers).

HB 142 will allow even more counties to provide tax relief to low- and middle-income residents in a revenue neutral way. Specifically, the "More Local Tax Relief for Working Families Act of 2023" raises the statutory cap on local income tax rates from 3.2% to 3.7%. This change is needed as 11 of Maryland's counties are currently at the statutory cap. Without action by the legislature, these jurisdictions cannot provide targeted tax cuts without reducing county revenues.

Maryland's current cap of 3.2% has not been changed since 2001.

Notably, the legislation only allows for taxes to be increased above the current cap of 3.2% under two conditions:

1. Counties are required to reduce the local income tax rate for the county's lowest income bracket; and
2. A tax bracket above 3.2% can only apply to taxpayers making more than double the state's highest tax bracket (i.e. earning over \$500,000 as a single filer or \$600,000 as a joint filer).

This is enabling legislation. Counties would retain their existing income tax structure unless they choose to make changes.

Why This Bill is Needed

It is more important than ever that local governments use taxes not just as a tool to raise revenue, but to foster tax structures that are fair for their residents across racial and socioeconomic backgrounds. Flat local income tax rates used by nearly all Maryland counties are regressive. As counties look at ways to provide tax relief to residents, flexibility with income tax brackets is key to ensuring that tax relief is provided in a revenue neutral way.