



Senate Bill 116

Property Tax - Municipal Corporation Business Personal Property Tax Rate and Local Government Reporting Requirements - Alterations

MACo Position: **OPPOSE**

To: Ways and Means Committee

Date: March 28, 2023

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **OPPOSES** SB 116, as it represents an unwarranted overreaction to a decidedly narrow policy concern.

The potentially concerning tax rate actions by one municipal government may justify some State action or oversight, but the amended version of SB 116 represents a broad and sweeping new process that potentially jeopardizes both county and municipal revenues in the hundreds of millions of dollars each year. The potential for concerning effects on local bond ratings by creating such uncertainty is hard to overstate.

The Local Government Article, Section 16-306 of the Annotated Code of Maryland requires each county, incorporated city or town, and taxing district in Maryland (referred to in this report as local governments) to file audit reports annually or once every four years under specified conditions. The vast majority of local governments routinely submit timely, accurate reports. In rare cases, extenuating circumstances may inhibit a local government from meeting the reporting deadline. As amended, SB 116 would require 20 percent of specified state aid be withheld from a jurisdiction if their local audit is more than one year late.

Local governments have an obligation to provide input and transparency into fiscal decision-making. The audit process is one of many measures to offer this assurance to their residents and taxpayers. However, the enforcement measure proposed in the amended version of SB 116 is an overreaction to the concerns presented at the bill's public hearing, isolating one unit of local government.

Local accountability, through voters and public participation, remains the most important and effective means to promote compliance and transparency in local fiscal decisions. There is no widespread pattern of worrisome behavior of the nature that might suggest the need for SB 116, and its dramatic potential to withhold enormous amounts of State support.

Accordingly, MACo urges an **UNFAVORABLE** report for SB 116.