



Maryland Municipal League
The Association of Maryland's Cities and Towns

TESTIMONY

March 28, 2023

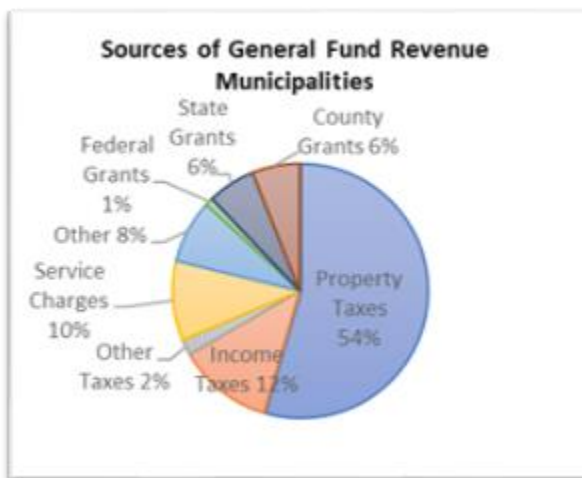
Committee: House Ways and Means Committee

Bill: SB 116 – Property Tax – Municipal Corporation Business Personal Property Tax Rate – Alterations

Position: Oppose

Reason for Position:

The Maryland Municipal League opposes SB 116, which would cap municipal personal property tax rates at 3.75%, require 20% of state aide to be withheld if a jurisdiction is more than a year late with their audit, and require a State-directed audit of a single jurisdiction.



Based on our research, this bill appears to address a hyper-local issue but limits municipal authority generally. Municipalities are overdependent on property taxes to provide essential services for their residents. Over half of municipal general fund revenues are derived from property taxes, and for some, property taxes account for over 65% of total revenues. Local jurisdictions have little control over the other major sources of revenue, leaving municipalities with few options when fiscal challenges arise. They have even fewer levers to navigate tax equity.

For municipalities, the personal property tax rate can operate like the State or county's progressive income tax code or corporate taxes, creating opportunities for both tax fairness and relief to everyday residents who are largely burdened by real property taxes.

The League's longtime stance is that local issues are best addressed with local solutions. Municipal government is the government closest to the people and residents have several avenues to affect change, including the ballot box.

The League is also concerned about the Senate addition to the bill that would require 20% of all State aide be withheld from a jurisdiction if their local audit is more than one year late. This phenomenon usually happens under extraordinary circumstances, where someone abused the power of their office, or did such a poor job keeping records that the work to actually complete an audit that meets industry standards is incredibly challenging once they are removed. It is unfair to punish the remaining governing body and residents who are trying to recover from such an incident by mandatorily withholding vital community funding.

Further, cities and towns have reached out to MML expressing concerns about the precedent set in Section 3, which would force a local jurisdiction to hire a 3rd party auditor to take over the scope and objectives of the audit from a state agency.

The Maryland Municipal League therefore respectfully requests the Committee provide SB 116 with an unfavorable report.

FOR MORE INFORMATION CONTACT:

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