



House Bill 142

More Local Tax Relief for Working Families Act of 2023

MACo Position: **SUPPORT**

To: Ways and Means Committee

Date: February 2, 2023

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** HB 142 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. HB 142 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.

HB 142 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 HB 142.