



House Bill 470

County Income Tax - Rate and Income Brackets - Alterations

MACo Position: **SUPPORT**

To: Ways and Means Committee

Date: February 8, 2024

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** HB 470, which 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 470 properly allows counties 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, more than two-thirds of Marylanders live in counties that 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% on income exceeding \$250,000 for specified individuals and \$300,000 for joint filers. Further, the bill states the General Assembly's intent for counties to use any revenue attributable to a rate higher than 3.2% to fund public education and transportation.

HB 470 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 470.