



House Bill 470 -- *County Income Tax - Rate and Income Brackets - Alterations*
House Ways and Means Committee
February 8, 2024
Oppose

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, opposes House Bill 470 -- *County Income Tax - Rate and Income Brackets - Alterations*.

HB 470 proposes to increase from 3.2% to 3.7% the maximum income tax rate that a county may impose. The higher rate would apply to individual filers with a Maryland taxable income more than \$250,000 and \$300,000 for spouses filing jointly. Tax revenue from the increase would be required to be used for the funding of public education and transportation.

MCCC is concerned about the impact this bill would have on the perception of Maryland as a high-tax state. This perception harms Maryland's business competitiveness and thus makes it more difficult to grow economic activity, create good jobs, and convince businesses to locate or expand. Montgomery County, and perhaps other counties around the State, should not want the distinction of having the highest income tax rate in Maryland.

The Chamber opposes increasing business taxes that are proposed without first examining the State's entire tax structure. In this case, if a county authorizes their income tax rate change from 3.2% to 3.7%, they are choosing to increase taxes on not just higher earning single and joint filers, they are also choosing a 15.6% tax increase on small businesses. Businesses that are registered as sole proprietorships, partnerships, and limited liability companies (LLCs) pay taxes at the income tax rate, not Maryland's corporate tax rate.

During the 2021 session, the Maryland General Assembly passed SB 133 -- *Local Tax Relief for Working Families Act of 2021*, which authorized counties to institute a graduated tax structure. It should be noted that at that time legislators chose to remove language allowing counties to exceed the current maximum 3.2% local income tax rate. The Chamber asks legislators to stay the course and vote against this proposal to increase taxes.

For these reasons, the Montgomery County Chamber opposes House Bill 470 and requests an unfavorable report.

The Montgomery County Chamber of Commerce, on behalf of our nearly 500 members, advocates for growth in business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and a proud Montgomery County Green Certified Business.

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