

Chipping Away at Transportation Revenue Would Make Marylanders' Lives Harder

Position Statement in Opposition to House Bill 484

Given before the House Ways and Means Committee

An effective revenue system is an essential tool to enable Maryland to invest in the foundations of our economy such as education, health care, and transportation. All Marylanders benefit when we have sufficient resources to invest in the basics, and these investments can be particularly important to break down the barriers – built through past and present policies – that hold back many Marylanders because of their race, gender, a disability, or another aspect of their identity. **The Maryland Center on Economic Policy opposes House Bill 484** because it would place counterproductive restrictions on the state's ability to raise revenues and invest in Maryland communities.

In general, taxes can be structured in two ways:

- Ad valorem taxes are calculated as a percentage of the price or value of a transaction. The sales tax and income tax are prominent examples of ad valorem taxes. In general, inflation adjustment does not apply to ad valorem taxes. Certain ad valorem social insurance payroll contributions are periodically adjusted within statutorily defined ranges to maintain fund solvency.
- Excise taxes are calculated as a dollar amount per unit. The most prominent state excise tax is the motor fuel tax. Inflation adjustment is necessary to ensure that excise taxes maintain their value as prices throughout the economy increase.

House Bill 484 would make it harder for the state to meet Marylanders' needs, especially the need for effective transportation infrastructure. In 2023, the Department of Legislative Services estimated that freezing motor fuel taxes at their current rate **would reduce transportation revenue by about \$570 million over five years.**ⁱ This would substantially deepen Maryland's existing \$3 billion multiyear transportation funding hole and weaken our economy for decades to come.

Furthermore, House Bill 484 would *weaken* democratic accountability by unreasonably restricting policymakers' ability to legislate to serve the public interest.

For these reasons, the Maryland Center on Economic Policy respectfully asks that the Ways and Means Committee make an unfavorable report on House Bill 484.

Equity Impact Analysis: House Bill 484

Bill summary

House Bill 484 would amend the Maryland Constitution to prohibit inflation adjustment or other administrative adjustments of tax or fee rates.

Background

The motor fuel tax is the most prominent Maryland tax subject to inflation adjustment. Fuel tax revenues are projected to total \$1.4 billion in fiscal year 2025, supplying 23% of the funding for Maryland's Transportation Trust Fund.

Between July 1, 2023, and June 30, 2024, the per gallon motor fuel tax rate is equal to 47.00 cents (gasoline and clean-burning fuel), 47.75 cents (diesel fuel/biodiesel), and 7.00 cents (aviation gasoline and turbine fuel).

Equity Implications

Considering specifically the impact of House Bill 484 on transportation revenues, weakening our ability to invest in Maryland's transportation systems would likely worsen existing transportation inequities. As a result of our past choices about where and how to invest in our transportation system, Black Marylanders have longer average commutes to work than their white counterparts. The difference is widest in areas of our state where workers of color live in the highest numbers. In some areas, Black workers commute up to 55 hours more each year than their white neighbors.ⁱⁱ

Impact

House Bill 484 would likely **worsen racial and economic equity** in Maryland.

ⁱ House Bill 730 of 2023 Fiscal and Policy Note, https://mgaleg.maryland.gov/2023RS/fnotes/bil_0000/hbo730.pdf

ⁱⁱ Christopher Meyer, "Budgeting for Opportunity: How our Fiscal Policy Choices Can Remove Barriers Facing Marylanders of Color and Advance Shared Prosperity," Maryland Center on Economic Policy, 2018, <https://www.mdeconomy.org/budgeting-for-opportunity-health-education-transportation/>