



February 8, 2024

The Honorable, Vanessa E. Atterbeary, Chair
 House Ways and Means Committee
 Room 131, House Office Building
 Annapolis, Maryland 21401

Oppose: HB 470 – County Income Tax – Rate and Income Brackets

Dear Chair, Atterbeary and Committee Members:

The NAIOP Maryland Chapters represent approximately 700 companies involved in all aspects of commercial, industrial, and mixed-use real estate. On behalf of our member companies, I am writing in opposition to HB 470 which would increase the maximum county income tax rate from 3.2% to 3.7%.

The State of the Economy Report from the Office of the Comptroller¹ documents that despite its many economic and demographic advantages, Maryland’s economic growth effectively stalled in 2017, has been stagnant ever since and the state is losing population to lower cost, higher growth states.

NAIOP believes that tax increases like HB 470 will further deteriorate Maryland’s economy and competitive position. We request the committee consider the following data points from the Comptroller’s report:

- Between 2012 and 2020 Maryland lost an average of just over eight thousand residents per year to other states. 57% of the residents leaving the state had incomes of \$100,000 or higher.
- The top five destinations for outmigration were faster-growing states where the cost of living is lower than Maryland: Florida, Virginia, North Carolina, Texas, and South Carolina.
- Maryland’s Gross Domestic Product effectively stalled in 2017, has been stagnant ever since and lags both the national growth rate and the growth rate of neighboring states. Between 2016 and 2023 Maryland economic growth was 1.6% compared to the national average of 13.9% and Virginia’s total growth of 11.2%.
- Employment in Maryland is only 1% higher than it was in the fourth quarter of 2016, compared to 7.5% higher nation-wide and 5.3% higher in Virginia.

Figure 1: Maryland Comparative Economic Growth 2016 – 2023

Geography	GDP Total Growth	Employment Total Growth	Personal Income Per Capita Growth	Real Wages Average Growth
Pennsylvania	6.6%	1.0%	5.6%	5.6%
Virginia	11.2%	5.3%	6.4%	6.5%
United States	13.9%	7.4%	9.5%	7.4%
Maryland	1.6%	1.0%	1.2%	4.3%

Sources: U.S. Bureau of Economic Analysis. U.S. Bureau of Labor Statistics, MD Bureau of Revenue Estimates

¹ [Maryland State of the Economy - 2023, Comptroller of Maryland](#)

The data in the Comptroller's report are troubling but consistent with the experience of NAIOP members who recruit companies to Maryland. They see capital investments and company location decisions disproportionately favoring lower cost, faster growing states.

By way of comparison, the marginal Virginia income tax rate for a couple earning \$300,000 in Fairfax County Virginia is 5.75% - the effective tax rate is 5.32%. There is no Fairfax County income tax. If the income tax rate in Montgomery County were increased to the maximum allowed under HB 470, the combined state and county marginal income tax rate for that couple in Montgomery County would be 9.2% - the effective tax rate would be approximately 8.5%.

Almost any office or professional service function in Maryland can be accomplished from a neighboring state. Office vacancy rates in Montgomery County's largest market (Rockville-Bethesda) were 18.9% in the fourth quarter of 2023. Extremely high by historical standards but still slightly lower than the ~20% vacancy rate in Northern Virginia. Commercial real estate in Montgomery County is particularly vulnerable to policy changes that deteriorate the value proposition for companies to locate and remain in Maryland. The combination of increased Maryland tax rates and the availability of high quality, office space across the Potomac River in Virginia will be a powerful draw which raises legitimate concerns about increased vacancies and weakening rental rates.

For these reasons, NAIOP respectfully requests your unfavorable report on HB 470.

Sincerely,



Tom Ballentine, Vice President for Policy

NAIOP – Maryland Chapters, *The Association for Commercial Real Estate*

cc: Ways and Means Committee Members

Nick Manis – Manis, Canning Assoc.