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MAYOR

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SB 70

January 15, 2025

TO: Members of the Budget and Taxation Committee

FROM: Nina Themelis, Director of Mayor's Office of Government Relations

RE: Senate Bill 70 – County Income Tax – Rate and Income Brackets – Alterations

POSITION: **SUPPORT**

Chair Guzzone, Vice Chair Rosapepe, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports** Senate Bill (SB) 70.

SB 70 proposes to allow jurisdictions to increase the income tax rate cap from 3.2% to 3.7%, provided that no jurisdiction sets more than eight income tax brackets for individuals or couples filing joint returns. The higher rate above 3.2% would only apply to single filers with taxable incomes exceeding \$250,000 and spouses filing jointly with taxable incomes exceeding \$300,000.

According to the 2022 Maryland Income Tax Summary Report, the most recent data available, the proposed legislation could potentially impact 3.5% of filers, or approximately 6,835 City taxpayers, with incomes above \$250,000.

The table below shows the annual and 5-year fiscal impact at various rate increases if the City implemented this legislation. The table summarizes potential impacts based on rates from 3.3% to 3.7%.

Senate Bill 70 - Progressive Income Tax					
Annual Fiscal Impact at Different Rates					
	@3.3%	@3.4%	@3.5%	@3.6%	@3.7%
Fiscal 2026	\$3,650,940	\$7,301,880	\$10,952,819	\$14,603,759	\$18,254,699
Fiscal 2027	\$3,760,468	\$7,520,936	\$11,281,404	\$15,041,872	\$18,802,340
Fiscal 2028	\$3,873,282	\$7,746,564	\$11,619,846	\$15,493,128	\$19,366,410
Fiscal 2029	\$3,989,480	\$7,978,961	\$11,968,441	\$15,957,922	\$19,947,402
Fiscal 2030	\$4,109,165	\$8,218,330	\$12,327,495	\$16,436,660	\$20,545,824
Total (5-Year)	\$22,927,937	\$45,855,874	\$68,783,810	\$91,711,747	\$114,639,684

If the City were to implement tiered rates with a 3.7% cap, it's estimated to generate \$18.3 million in Fiscal 2026. That amount is projected to grow to \$20.5 million by Fiscal 2030.

Since Fiscal 2023, the City's local share funding for education has increased by \$125.8 million, or 47.7%. The City has met the increased local share requirements through a series of one-actions to balance annual budgets. Additional revenue realized through this legislation would restore structural budget balance while avoiding major service disruptions. Achieving the goal of structural budget balance allows the City to focus on achieving major financial goals, including a sustainable and long-term increase in the City's capital budget.

For the above stated reasons, the BCA respectfully request a **favorable** report on SB 70.