SB0070_County_Income_Tax_MLC_FAV.pdf

Uploaded by: Cecilia Plante

Position: FAV

TESTIMONY FOR SB0070
County Income Tax – Rate and Income Brackets - Alterations

Bill Sponsor: Senator Rosapepe
Committee: Budget and Tax
Organization Submitting: Maryland Legislative Coalition
Person Submitting: Cecilia Plante, co-chair
Position: FAVORABLE

I am submitting this testimony in favor of SB0070 on behalf of the Maryland Legislative Coalition. The Maryland Legislative Coalition is an association of activists - individuals and grassroots groups in every district in the state. We are unpaid citizen lobbyists and our Coalition supports well over 30,000 members.

Having a progressive tax is the right way to ensure that those who are able to pay more taxes do, yet many of our counties have adopted a flat tax rate. This makes those who make less shoulder a higher burden.

This bill would limit the maximum tax rate that could be levied on taxable income to 3.7% and would limit the number of income brackets to eight. Tax rates that are over 3.2% can only be levied on income greater than $250,000 for an individual or over $300,000 for spouses filing jointly, or a head of household. If a county does set an income tax rate greater than 3.2%, it must use the proceeds from the difference between 3.2% and the rate set to pay for education and transportation.

The closer we get to a progressive tax, the fairer it is to low-income residents. This should always be a goal of the state.

We support this bill and recommend a **FAVORABLE** report in committee.

SB 70_FAV_AFSCME3.pdf
Uploaded by: Denise Gilmore
Position: FAV

1410 Bush Street (Suite A)
Baltimore, MD 21230
Phone: 410-547-1515
Email: info@afscmemd.org

Patrick Moran – President

SB 70 – County Income Tax – Rate and Income Brackets – Alterations
Budget and Taxation
January 15, 2025

FAVORABLE

AFSCME Council 3 represents 45,000 state, county, and municipal employees. We support SB 70. This legislation alters the maximum county income tax rate in Maryland, limits the number of tax brackets, and sets income backet thresholds. These revisions will not only streamline the county tax code but also enhance transparency and ease of compliance for individuals, while reducing the tax burden on working families.

SB 70 authorizes counties to set a maximum tax rate of 3.7% of an individual's Maryland taxable income. This adjustment helps reduce the tax burden on low- and middle-income individuals—who typically pay a higher percentage of their income in taxes—thereby providing them with greater disposable income to support local businesses and stimulate our economy. We also support SB 70 because it strengthens Local decision-making regarding their budgets. By allowing counties to set their own income tax rates, SB 70 enables counties to respond to local needs and priorities ,and helps to relieve pressures on the overall state budget.

We understand that the General Assembly intends for counties to use revenue generated above the 3.2% tax rate for critical funding of public education and transportation. AFSCME Council 3 is fully committed to ensuring that these vital services remain adequately funded. We believe all new revenue should be added into general funds, so legislatures are provided with the flexibility needed to address the changing demands of their communities, without placing additional strain on working families or our most vulnerable populations.

At a time when Maryland faces a significant budget deficit, SB 70 offers a responsible path to secure the necessary resources for local governments to provide essential public services while ensuring the burden does not fall on the state's most vulnerable citizens. We urge your support for SB 70, as it will provide our counties with the additional resources needed to support quality public services that benefit all Marylanders.
Thank you for your consideration.

Testimony in support of SB0070.pdf
Uploaded by: Jerry Kickenson
Position: FAV

Testimony in support of SB0070
County Income Tax - Rate and Income Brackets - Alterations
To: Senator Guy Gazzone, Chair, and members of the Senate Budget & Tax Committee
From: Jerry Kickenson
Date: January 13, 2025

I am writing in **support of Senate Bill 0070**, County Income Tax - Rate and Income Brackets - Alterations.

SB0070 will provide needed and sensible flexibility to Maryland's counties' personal income tax policies. While Maryland currently allows counties to institute a progressive personal income tax structure, due to the limitations this bill addresses only two counties, Anne Arundel and Frederick, currently do so. This is a missed opportunity for a more progressive income tax for those counties that wish to seize that opportunity.

I strongly urge you to reach a favorable report for SB0070. It will be one step in addressing the state's budget crisis, help counties plan their budgets, and potentially support a more equitable tax structure in Maryland.

Respectfully yours,
Jerry Kickenson
Silver Spring, Maryland

SB 0070 FAV FCG OCE JF LS25.pdf

Uploaded by: Jessica Fitzwater

Position: FAV

Jessica Fitzwater
County Executive

FREDERICK COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

SB 70 – County Income Tax - Rate and Income Brackets - Alterations

DATE:	January 15, 2025
COMMITTEE:	Senate Budget and Taxation Committee
POSITION:	Favorable
FROM:	The Office of Frederick County Executive Jessica Fitzwater

As the Frederick County Executive, I urge the committee to give **SB 70 – County Income Tax - Rate and Income Brackets – Alterations** a favorable report.

This bill will authorize the governing body of a county to set progressive local income tax rates of up to 3.7% on high income earners while requiring counties that exceed the current 3.2% limit to lower taxes on lower income earners, or dedicate the increased revenue to education and transportation.

I am proud that Frederick County has utilized the existing authority to establish brackets for local income taxes to cut taxes for our lowest earners. However, without the authority to increase rates above 3.2%, our ability to provide tax relief to our residents who need it the most is significantly stifled. This bill will provide local governments with much needed flexibility to create a more progressive and fair income tax structure without negatively impacting revenues.

Additionally, local governments have limited tools to raise revenue to finance the needed infrastructure for our communities. While income taxes are not the main source of revenue for local governments, we face heightened pressure from our constituents to solve transportation and school construction hurdles in new and creative ways that do not raise housing costs.

As a county leader who is deeply committed to the promises of Blueprint for Maryland's Future and the needs of our transportation infrastructure, I believe it is crucial that we utilize creative and progressive solutions to raise revenues without inequitably impacting our constituents.

Thank you for your consideration of SB 70. I urge you to advance this bill with a favorable report.

Jessica Fitzwater

Jessica Fitzwater, County Executive
Frederick County, MD

SB 70_MD Center on Economic Policy_FAV.pdf
Uploaded by: Kali Schumitz
Position: FAV

MARYLAND CENTER ON ECONOMIC POLICY

JANUARY 15, 2025

Increasing Local Fiscal Autonomy Will Support Vital County and City Investments

Position Statement in Support of Senate Bill 70

Given before the Senate Budget and Taxation Committee

All Marylanders depend on effective local revenue systems that can support bedrock county and municipal investments such as education, public health, and transportation. **The Maryland Center on Economic Policy supports Senate Bill 70** because it would expand the range of options available to local policymakers to maintain effective and equitable revenue systems.

Because the state and local governments work together to provide many foundational services, local governments face many of the same costs that drive the state's revenue needs. Counties' education and transportation costs in particular are expected to mount in coming years. Yet local jurisdictions have much less latitude to set fiscal policy that fits their individual context and needs. Today, the statewide cap on county income tax rates prevents nearly half of Maryland counties from generating additional revenue from this source.[i] Senate Bill 70 would increase local policymakers' flexibility to match their revenue policies to their residents' needs by levying a higher tax rate on only extremely wealthy residents.

The local income tax is counties' second-most important stream of own-source revenue after the real property tax. It is also the most equitable local revenue source. Because landlords are able to pass property taxes through to tenants in the form of higher rent, property taxes can place disproportionate tax responsibilities on families with low incomes. Families with income below $30,000 pay a larger share of their income in property taxes than any other income group, while the wealthiest 1% of households (with annual income over $700,000) pay a smaller share of their income in property taxes than any other income group.[ii] In contrast, the local income tax helps balance local revenue systems by asking more of the individuals with the greatest ability to pay.

Strong evidence tells us that asking the wealthiest individuals to contribute to the services we all rely on is consistent with a vibrant economy:

- The bulk of empirical research finds little link between state tax policy and where people want to live.[iii] This is consistent with common sense: For most of us, factors like good jobs, affordable housing, great schools, pleasant weather, and being close to relatives are far more important than tax rates.
- Careful research also shows that wealthy individuals relocate less often than other families, and that taxes aren't an economically important driver of where they settle down.[iv] This, too, is little surprise: Uprooting your life to reduce your tax responsibilities may not be an attractive option if you have invested time and money in a good job, a business, or a comfortable home, or if you are embedded in your community's civic life.

As local governments across Maryland face rising costs, we should ensure that local policymakers have sufficient flexibility to raise the revenue needed to support high-quality services. Senate Bill 70 would strengthen local governments' ability to invest in essential services while making their tax codes more equitable.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Budget and Taxation Committee make a favorable report on Senate Bill 70.

Equity Impact Analysis: Senate Bill 70

Bill summary

Senate Bill 70 increases from 3.2% to 3.7% the maximum allowable county tax rate only for residents whose taxable income exceeds $250,000 for a single filer or $300,000 for a joint filers, and defines allowable boundaries for county income tax brackets. The bill includes intent language specifying that the additional revenue from a top rate above 3.2% be used to fund public education and transportation.

Equity Implications

Senate Bill 70 would bring significant equity benefits:

- Expanding local revenue policy options would strengthen local governments' ability to invest in things like world-class schools and reliable transportation infrastructure. Investing in these basics strengthens our economy and can dismantle the economic barriers that back Marylanders of color.
- Today, the wealthiest 1% of Maryland households pay a smaller share of their income in state and local taxes than the rest of us do. Senate Bill 70 would make our tax code more balanced by granting local governments greater latitude to raise revenue in the most equitable manner available to them.

Impact

Senate Bill 70 would likely **improve racial and economic equity** in Maryland.

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[i] For tax year 2025, 11 counties levy a flat 3.2% income tax. The cap also prevents Anne Arundel and Frederick counties from increasing their top rate, meaning that any additional income tax revenue would have to come in part from middle-income households.

[ii] "Maryland: Who Pays? 7th Edition," Institute on Taxation and Economic Policy, 2024, https://itep.org/whopays/maryland-who-pays-7th-edition/

[iii] Michael Mazerov, "State Taxes Have a Negligible Impact on Americans' Interstate Moves," Center on Budget and Policy Priorities, 2023, https://www.cbpp.org/research/state-budget-and-tax/state-taxes-have-a-minimal-impact-on-peoples-interstate-moves

[iv] Cristobal Young, Charles Varner, Ithai Lurie, and Richard Prisinzano, "Millionaire Migration and Taxation of the Elite: Evidence from Administrative Data," *American Sociological Review 81*(3), 2016, https://web.stanford.edu/~cy10/public/Jun16ASRFeature.pdf
See also Cristobal Young, *The Myth of Millionaire Tax Flight: How Place Still Matters for the Rich*, Stanford: Stanford University Press, 2018

SB0070-BT_MACo_SUP.pdf
Uploaded by: Kevin Kinnally
Position: FAV

MARYLAND Association of COUNTIES

Senate Bill 70

County Income Tax - Rate and Income Brackets - Alterations

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: January 15, 2025

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** SB 70, which enables county governments to implement equitable local income tax structures tailored to community priorities. This modest yet meaningful adjustment offers counties flexibility to adopt policies that balance fiscal stability with meaningful tax relief for low- and moderate-income households.

MACo consistently advocates for local self-determination, emphasizing that elected county leaders, accountable to their communities, are best positioned to tackle unique fiscal and policy challenges. Accordingly, SB 70 empowers counties to design revenue systems that meet local priorities while sustaining essential services like education, public safety, and infrastructure.

In 2021, the General Assembly authorized counties to implement bracket-based local income taxes to advance equity. However, for more than two-thirds of Maryland residents living in counties with the maximum 3.2% rate, this reform has not been fully accessible. Without the flexibility to exceed the cap under limited circumstances, counties cannot provide targeted relief to working families or residents on fixed incomes while remaining revenue neutral.

SB 70 raises the cap to 3.7% for taxable income exceeding $250,000 for individual filers and $300,000 for joint filers. This targeted adjustment enables counties to adopt equitable tax structures that deliver relief to those who need it most while directing any additional revenue to public education and transportation, as outlined in the bill.

MACo is working with the bill sponsor to ensure the prescribed income brackets align with local needs. This minor adjustment will provide flexibility while preserving the bill's focus on equitable and effective local tax policies for counties that have already implemented tailored bracketed systems.

SB 70 empowers counties to implement fair and balanced tax policies while safeguarding vital services. As such, MACo urges the Committee to issue a **FAVORABLE** report on SB 70.

SB 70 Mo Co Executive
Uploaded by: Marc Elrich
Position: FAV

OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

January 15, 2025

TO: The Honorable Guy Guzzone
Chair, Budget and Taxation Committee

FROM: Marc Elrich
County Executive

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

I am writing to express my strong support for Senate Bill 70*, County Income Tax – Rate and Income Brackets – Alterations.* In addition to allowing for greater progressivity in the local income tax at lower income levels, I particularly appreciate the authority granted under the bill to increase the local income tax rate above the current top rate of 3.2% to 3.7% on high income earners.

This authority has been included in previous introductions of similar legislation, but, then amended out. This is an integral piece if the goal of the bill is to introduce greater progressivity in the State's system of taxing income since, without this authority, counties that are already at the current maximum rate of 3.2% cannot create a more progressive local income tax structure without losing local income tax revenue. Montgomery County is one of those counties, and because of this constraint, it has made great efforts to provide tax relief to those with lower incomes outside of the local income tax.

First, the County provides an income tax offset credit against the property tax now to try to provide some relief. It is a flat amount and not based on property values so it is of greater benefit to those with less expensive homes. But, you must be a property owner. Not everyone owns property.

Second, Montgomery County is unique in the State and one of only a few counties in the nation that matches the State's Refundable Earned Income Tax Credit (EITC), dollar for dollar. Certainly, on its face it is expensive but it offsets the cost of other services that would have to be provided.

However, neither of these actions addresses the plight of County residents who don't benefit from either of these programs – they are neither homeowners nor poor enough to be eligible for the refundable EITC. Yet, they are paying the same local income tax rate on their income as those with very high incomes.

I urge you to advance this legislation. It provides an important tool that will allow counties like Montgomery to introduce greater progressivity in the application of its local income tax.

Progressive systems of taxation have always been a core principle of creating a fair and equitable system of taxation. This bill reflects that core value and for that reason, I urge the Budget and Tax Committee to advance this piece of legislation.

cc: Members of the Budget and Taxation Committee

1-15-25 SB 70 - County Income Tax - Rate and Incom
Uploaded by: Nancy Soreng
Position: FAV

TESTIMONY TO THE SENATE BUDGET AND TAXATION COMMITTEE

SB 70 - County Income Tax - Rate and Income Brackets - Alterations

POSITION: Support

BY: Linda Kohn, LWVMD President

Date: January 15th, 2025

The League of Women Voters of Maryland supports a progressive income tax which should be the first choice if a revenue increase is necessary.

Currently, counties may collect a piggyback income tax based on a percentage of the income tax that the state collects for local purposes. Right now, the local income tax in most counties is a flat tax, meaning payers pay the same rate no matter what their income.

SB 70 is authorizing legislation that would allow counties to increase the current cap on the piggyback income tax from 3.2% to 3.7%. A few years ago, the legislature passed enabling legislation to allow counties to create a graduated income tax which would allow them to require higher earning residents to pay more county income tax than lower income residents. Only one county chose to do that because, without increasing the cap on the amount counties could collect, they could not adopt a more equitable tax structure without losing revenue.

Like the state, counties are facing significant fiscal challenges – especially in relation to the funding requirements of the Blueprint for Maryland's future. Passing this bill, would give them another tool to address this challenge.

We urge a favorable report on SB 70.

121 Cathedral Street, Suite 2B, Annapolis, MD 21401
410-269-0232 * info@lwvmd.org * www.lwvmd.org

BRANDON M. SCOTT
MAYOR

Office of Government Relations
88 State Circle
Annapolis, Maryland 21401

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.

Testimony in support of SB0070 County Income Tax -

Uploaded by: Richard KAP Kaplowitz

Position: FAV

SB0070_RichardKaplowitz_FAV

01/15/2025

Richard Keith Kaplowitz
Frederick, MD 21703

TESTIMONY ON SB#/0070- POSITION: FAVORABLE

County Income Tax - Rate and Income Brackets - Alterations

TO: Chair Guzzone, Vice Chair Rosapepe, and members of the Budget & Taxation Committee
FROM: Richard Keith Kaplowitz

My name is Richard Keith Kaplowitz. I am a resident of District 3, Frederick County. I am submitting this testimony in support of SB#/0070, Task Force on Education Funding and Student Population Growth

The economy in Maryland, while strong, is expected to have significant headwinds in 2025. The population in Maryland faces increases in food costs, partially affected by avian flu, which meant I paid on Sunday, January 12, 2025, $6.19 for one dozen eggs. As reported in the Kiplinger Report "Property owners in the Old Line State are getting an unfortunate New Year's present: property value assessments are increasing, some as high as 38%." [1]. The deficit in Maryland, which could be ameliorated by passage of the Fair Share Act, means an increased burden on the budgets of Maryland residents.

This bill is an attempt to cap the tax rates in an effort to mitigate the effects of these economic factors and provide help to stressed taxpayers. The bill will alter, subject to certain limitations, the maximum tax rate that a county may impose on an individual's Maryland taxable income. It projects limiting the number of brackets that a county that imposes the county income tax on a bracket basis may set. It will require a county that imposes the county income tax on a bracket basis to use certain income bracket thresholds. It is future forward such that this Act will apply to taxable years beginning after December 31, 2026.

Setting this for future tax years will allow the General Assembly to determine impacts from this year's budget and actions at the Federal level and make any needed adjustments in the session in 2026. Because of this preparation for the future Maryland will be in a position to help its taxpayers deal more effectively with any future financial difficulties.

I respectfully urge this committee to return a favorable report on SB#/0070.

[1] https://www.kiplinger.com/taxes/maryland-property-tax-assessment-what-it-means-for-you

SB70 - FAV - MSEA.pdf
Uploaded by: Samantha Zwerling
Position: FAV

MARYLAND STATE EDUCATION ASSOCIATION

140 Main Street
Annapolis, MD 21401
800 448 6782
410 263 6600

marylandeducators.org

SUPPORT
County Income Tax – Rate and Income Brackets – Alterations
Senate Bill 70

Senate Budget and Taxation Committee
January 15, 2025

Samantha Zwerling
Government Relations

The Maryland State Education Association strongly supports Senate Bill 70, which gives counties greater authority raise revenue in a fair manner to fund priorities like education. The bill could help local governments create a progressive tax structure and raise needed revenue to implement the Blueprint for Maryland's Future with fidelity.

MSEA represents 75,000 educators and school employees who work in Maryland's public schools, teaching and preparing our almost 900,000 students so they can pursue their dreams. MSEA also represents over 40 local affiliates in every county across the state of Maryland, and our parent affiliate is the 3 million-member National Education Association (NEA).

SB 70 gives counties additional flexibility to set taxing policy that works for their communities. This enabling legislation gives local leaders another tool when crafting local tax policy and could help raise additional funds for priorities like public education. MSEA supports passage of an adequate, sustainable, predictable revenue stream that will adequately fund both the operating and construction costs of our public schools. A great public school for every child means our students have updated technology, small manageable classes, safe and modern schools, proper healthcare and nutrition, and have highly qualified and highly effective educators.

Implementing the Blueprint for Maryland's Future with fidelity and making up for the educational, and social-emotional and behavioral health impacts of the COVID-19 pandemic continues to take considerable resources. This bill helps counties meet their commitments to the students and families in their communities.

MSEA strongly urges a favorable report on Senate Bill 70.

testimony_sb70.pdf
Uploaded by: TJ Butler
Position: FAV

Dear Senators:

Resource Generation - Baltimore Chapter urges a favorable vote on SB 70 due to local control of implementation, allowing tax burden to be shifted to higher income earners for public goods, and the recommendation that funds be used for public education and transportation.

Resource Generation is a collective of young people between 18 to 35 with class privilege and/or wealth working toward the equitable redistribution of wealth, land, and power. Given the budget deficit facing the State of Maryland this year and the requirement to pass a balanced budget, options like raising additional revenue need to be carefully considered. Senate Bill 70 allows for this by giving counties leeway to raise local income tax up to 3.7% of income while giving the option to lower income taxes for lower brackets. This would be a progressive tax opportunity that could lower the tax burden on low income earners and raise it on high income earners, with the majority of Resource Generation - Baltimore chapter members falling into the latter group. For our state to thrive, public education, transportation, and other social infrastructure needs to be paid for through taxes, and those taxes should fall on high income earners like us.

We want to note that this is not therefore a duty to raise taxes; it will be left to County governments to determine if tax rates and brackets need to be adjusted based on the needs of each county. Baltimore City for one has seen climbing income inequality since at least 2011, per the earliest available data from the Federal Bank of St. Louis. This means that those with the greatest ability to pay need to be making up for budget shortfalls, both at the State and County level. Senate Bill 70 is a piece of the Fair Share Plan for Maryland that will help raise state revenue needed for important government investment in areas such as transportation and public education.

For these reasons, Resource Generation - Baltimore Chapter respectfully requests that the Senate vote favorably on SB 70.

URL: https://fred.stlouisfed.org/series/2020RATIO024510

Anne Arundel County _FWA_SB70.pdf
Uploaded by: Ethan Hunt
Position: FWA

ANNE ARUNDEL COUNTY
MARYLAND
County Executive Steuart Pittman

January 13, 2025

Senate Bill 70

County Income Tax - Rate and Income Brackets - Alterations
Senate Budget and Taxation Committee

Position: FAVORABLE WITH AMENDMENT

Anne Arundel County **SUPPORTS** Senate Bill 70 – County Income Tax – Rate and Income Brackets – Alterations. SB 70 would allow counties to set progressive local income tax rates of up to 3.7% on high income earners while requiring counties that exceed the current 3.2% limit to lower taxes on lower income earners, or dedicate the increased revenue to education and transportation.

Four years ago, the Maryland General Assembly gave local jurisdictions the authority to set our local income tax rates on a progressive bracket basis, while staying within the existing local income tax rate limit of 3.2%. Anne Arundel County proudly used this new authority. The flexibility provided allowed us to cut taxes for all income below $50,000 in our 2023 budget, and raise the tax rate only on the top 2% of earners in our 2024 budget. As fiscal leaders, we look out for our constituents by ensuring that we generate necessary revenue in order to meet the challenges of today, while mitigating the economic burden on our hardworking taxpayers.

This enabling legislation is critical to how counties address their local tax and revenue needs. In Anne Arundel County, we could generate significant revenue to pay for education and local services with the passage of this bill, while only asking for very minimal help from those taxpayers with the highest incomes. We also would be able to keep rates lower for the majority of taxpayers. Every Maryland county would have similar options with passage of this bill, and having this level of flexibility would move every jurisdiction in the right direction for years to come.

SB 70 would also require counties to implement progressive tax rates within specific brackets. Anne Arundel County's top rate of 3.2% currently applies to income over $400,000 ($480,000 for joint filers). In order to meet the bracket requirements in the bill, we would have to either expand our top bracket to income above $250,000 ($300,000 for joint filers) or contract our top bracket to income above $500,000 ($600,000 for joint filers). Although we are not opposed to uniform brackets, we urge an amendment to either realign the brackets with our existing structure or grandfather our current bracket structure. Absent an amendment, Anne Arundel County would be forced to make an income tax change by tax year 2027.Please grant Maryland jurisdictions the authority to make these important decisions on behalf of the residents who elect us with a **FAVORABLE WITH AMENDMENT** report on SB 70.

Steuart Pittman
County Executive

Ethan Hunt, Director of Government Affairs Phone: 410-222-3687 Email:exhunt23@aacounty.org

SB 70 Co. Income Tax Rate
Uploaded by: Steuart Pittman
Position: FWA

ANNE ARUNDEL COUNTY
MARYLAND
County Executive Steuart Pittman

January 13, 2025

Senate Bill 70

County Income Tax - Rate and Income Brackets - Alterations
Senate Budget and Taxation Committee

Position: FAVORABLE WITH AMENDMENT

Anne Arundel County **SUPPORTS** Senate Bill 70 – County Income Tax – Rate and Income Brackets – Alterations. SB 70 would allow counties to set progressive local income tax rates of up to 3.7% on high income earners while requiring counties that exceed the current 3.2% limit to lower taxes on lower income earners, or dedicate the increased revenue to education and transportation.

Four years ago, the Maryland General Assembly gave local jurisdictions the authority to set our local income tax rates on a progressive bracket basis, while staying within the existing local income tax rate limit of 3.2%. Anne Arundel County proudly used this new authority. The flexibility provided allowed us to cut taxes for all income below $50,000 in our 2023 budget, and raise the tax rate only on the top 2% of earners in our 2024 budget. As fiscal leaders, we look out for our constituents by ensuring that we generate necessary revenue in order to meet the challenges of today, while mitigating the economic burden on our hardworking taxpayers.

This enabling legislation is critical to how counties address their local tax and revenue needs. In Anne Arundel County, we could generate significant revenue to pay for education and local services with the passage of this bill, while only asking for very minimal help from those taxpayers with the highest incomes. We also would be able to keep rates lower for the majority of taxpayers. Every Maryland county would have similar options with passage of this bill, and having this level of flexibility would move every jurisdiction in the right direction for years to come.

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Steuart Pittman
County Executive

Ethan Hunt, Director of Government Affairs Phone: 410-222-3687 Email:exhunt23@aacounty.org

SB 70 - County Income Tax - Rates and Brackets - N
Uploaded by: Tom Ballentine
Position: UNF

MARYLAND CHAPTERS
THE ASSOCIATION FOR COMMERCIAL REAL ESTATE

January 15, 2025

The Honorable, Guy Guzzone, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West
Annapolis, Maryland 21401

Oppose: SB 70 – 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 SB 70 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 Comptroller[1] 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 SB 70 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

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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 SB 70.

Sincerely,

Tom Ballentine, Vice President for Policy
NAIOP – Maryland Chapters, *The Association for Commercial Real Estate*

cc: Budget and Taxation Committee Members
Nick Manis – Manis, Canning Assoc.