



House Bill 151 -- *County Income Tax - Rate and Income Brackets – Alterations*

House Ways and Means Committee

January 30, 2025

Oppose

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, opposes House Bill 151 -- *County Income Tax - Rate and Income Brackets - Alterations*.

House Bill 151 proposes to increase from 3.2% to 3.7% the maximum income tax rate that a county may impose. The proposed higher tax rate would affect individual filers with a Maryland taxable income exceeding \$250,000 and joint filers earning more than \$300,000. The additional tax revenue generated from this increase would be specifically allocated to fund public education and transportation initiatives.

The Chamber opposes increasing taxes without a comprehensive review of the State's entire tax structure, particularly when such proposals could harm Maryland's small businesses. If a county raises its income tax rate from 3.2% to 3.7%, it not only increases taxes on higher-earning individuals but also imposes a higher tax burden on small businesses. These businesses, including sole proprietorships, partnerships, and LLCs, are taxed at the personal income tax rate rather than the corporate tax rate.

MCCC is concerned about the negative impact this bill could have on Maryland's reputation as a high-tax state. This perception can undermine the state's business competitiveness, making it harder to stimulate economic growth, create quality jobs, and attract or expand businesses. Montgomery County, and potentially other counties, should avoid the distinction of having the highest income tax rate in Maryland.

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 on small businesses.

For these reasons, the Montgomery County Chamber of Commerce opposes House Bill 151 and respectfully requests an unfavorable report.

The Montgomery County Chamber of Commerce (MCCC), on behalf of its members, champions the growth of business opportunities, strategic infrastructure investments, and a strong workforce to position Metro Maryland as a premier regional, national, and global business location. Established in 1959, MCCC is an independent, non-profit membership organization.

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