



OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

January 30, 2025

TO: The Honorable Vanessa E. Atterbeary
Chair, Ways and Means Committee

FROM: Marc Elrich
County Executive

RE: House Bill 151, *County Income Tax – Rate and Income Brackets – Alterations*
Support

I am writing to express my strong support for House Bill 151, *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.

The Honorable Vanessa E. Atterbeary

Re: House Bill 151

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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 Ways and Means Committee to advance this piece of legislation.

cc: Members of the Ways and Means Committee