



FEBRUARY 24, 2026

Increasing Local Fiscal Autonomy Will Support Vital County and Municipal Investments

Position Statement in Support of House Bill 1142

Given before the House Ways and Means 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 House Bill 1142** because it would create a formal process to consider expanding 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. While the General Assembly acted in 2024 and 2025 to provide more flexibility to slightly increase county income taxes on the wealthiest residents, more than half of Maryland counties are now at either the prior or current cap.ⁱ Furthermore, five counties and 20 municipalities had rigid, self-imposed property tax limitations as of 2022.ⁱⁱ Further, municipal governments have even fewer options than counties to raise the revenue needed to meet their residents' needs.

The limited options counties have today make them reliant on property taxes to fund local services. 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.ⁱⁱⁱ

HB 1142 would create a task force to examine the range of other revenue options used by local governments around the country and consider which options might work in Maryland. 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.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee make a favorable report on House Bill 1142.

ⁱ For tax year 2026, two counties levy a flat 3.3% income tax and 14 either levy a flat 3.2% income tax or tax their wealthiest residents at 3.2%. "2026 Maryland State and Local Income Tax Withholding Information," Comptroller of Maryland, 2026, <https://www.marylandcomptroller.gov/content/dam/mdcomp/md/state-payroll/memos/2026/2026-maryland-state-and-local-withholding-information.pdf>

ii “Legislative Handbook Series Vol. VI: Maryland Local Governments,” Department of Legislative Services, 2022, https://dls.maryland.gov/pubs/prod/RecurRpt/Handbook_Volume_6_MD_Local_Government.pdf

iii “Maryland: Who Pays? 7th Edition,” Institute on Taxation and Economic Policy, 2024, <https://itep.org/whopays/maryland-who-pays-7th-edition/>