



House Bill 196

Income Tax - Subtraction Modification – Interest Paid On Student Loans

MACo Position: **OPPOSE**

Date: February 8, 2017

To: Ways and Means Committee

From: Barbara Zektick

The Maryland Association of Counties (MACo) **OPPOSES** HB 196. This bill creates a subtraction modification equal to 100% of the total interest paid on qualifying student loans if the taxpayer earns under certain income thresholds.

In general, MACo argues that local tax structures should remain a local prerogative. MACo is concerned with the carryover county fiscal effects of this legislation and would prefer approaches that provide local autonomy to determine the best way to provide tax incentives, rather than those that mandate reductions in local revenue sources.

HB 196 is one of many bills introduced this session to reduce or adjust the income taxes paid by residents of Maryland. According to the bill's fiscal note, local revenues would decline by \$13.1 million in fiscal 2018, increasing in subsequent fiscal years. This revenue effect, combined with that of other bills that have been introduced so far this session, is simply not affordable as a statewide county mandate and could present substantial budget difficulties.

MACo suggests that consideration be given instead to providing state tax credits, which do not mandate the depletion of resources from all counties for education, public safety, and needed community services. State tax credits not only relieve counties from shouldering the burden of the costs for these benefits, but they also provide a benefit to eligible filers who do not itemize their deductions on their returns. Subtraction modifications only provide a benefit for those filers who opt not to take the standardized deduction, but state tax credits serve the entire targeted population.

Counties welcome the chance to work with state policymakers to develop flexible and optional tools to create broad or targeted tax incentives, but resist state-mandated changes that preclude local input. For these reasons, MACo urges the Committee to give HB 196 an **UNFAVORABLE** report.