



House Bill 621

County Tax Fairness Act

MACo Position: **SUPPORT**

To: Appropriations Committee

Date: February 18, 2020

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** HB 621. This bill would delay the requirement for local governments to repay the Local Income Tax Reserve Account for refunds paid pursuant to the *Maryland State Comptroller of the Treasury v. Brian Wynne* court decision (Wynne case).

Taxpayers have already received their proper refunds and interest. HB 621 merely addresses the remaining matter of bookkeeping for the state-managed reserve account.

The amount of money owed by counties for the refunds paid pursuant to the Wynne case is extraordinarily high, at around \$250 million. Further, litigation over the interest rate applied to these refunds remains on appeal, leaving uncertainty in the final toll for this court decision. Counties appreciate efforts made by the General Assembly in the past to smooth out the severe, deleterious impact of the Wynne case decision over an extended time, and to delay repayments until fiscal 2021. Now that this date is coming near, counties are also being tasked with contributing billions of dollars in additional school funding to cover the local share of the State's commitment to substantial new education investments. Counties would extremely appreciate this Committee and the General Assembly delaying their obligation to refund the Local Income Tax Reserve Account at the same critical juncture.

The large slew of refunds arising from the Wynne case does not signal administrative error or indifference on the part of county governments, nor the Comptroller or the General Assembly. Rather, they arise from a completely new legal theory that was without precedent in Maryland or elsewhere. Initiating these repayments will cost local taxpayers tens of millions of dollars—at the expense of schools, law enforcement, roadways, and the other local government functions upon which all county residents depend.

MACo strongly supports this effort to delay that outcome until counties have a better grasp of how the State's ambitious school initiatives will affect local finances, allowing them to budget most appropriately to protect our shared constituents. Further, repayments should be deferred until the Maryland Court of Appeals renders a decision on appellants' challenge to the General Assembly's authority to set a reduced interest rate on refunds owed to taxpayers affected by *Wynne v. Comptroller*.

For these reasons, MACo recommends a **FAVORABLE** report on HB 621.