



## House Bill 686

### *Income Tax - Wynne Case - Local Government Repayments to the Local Reserve*

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: March 20, 2018

From: Barbara Zektick

The Maryland Association of Counties (MACo) **SUPPORTS** HB 686. This bill would delay, for two years, 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 686 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. 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 the fourth quarter of fiscal 2019.

Now that this date is coming near, unfortunately, counties are grappling with significant uncertainty surrounding their income tax revenues, arising from federal tax reform and the State's anticipated, yet presently unknown, responses to it. Counties would extremely appreciate this Committee and the General Assembly mitigating this uncertainty by 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 do 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 on how their local income tax revenue streams will look, allowing them to budget most appropriately to protect our shared constituents.

For these reasons, MACo recommends a **FAVORABLE** report on HB 686.