



House Bill 737

Local Governments – Income Tax Disparity Grants – Amounts

MACo Position: **SUPPORT**

To: Appropriations Committee

Date: February 27, 2020

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** HB 737. This bill extends by two years a temporary enhancement of disparity grant funding for six counties with proven local income tax effort: Caroline, Dorchester, Prince George’s, Somerset, Washington, and Wicomico.

The disparity grant program promotes fiscal equity by providing noncategorical State aid to less affluent counties with proven local income tax effort. The program serves to ensure that counties, who rely on local income taxes for substantial revenue, are able to generate sufficient yield to fund education, public safety, roadway maintenance, and community services.

Recent years have seen State-imposed “caps” in this program that artificially lessen the effective revenue from such jurisdictions, including those who have exercised the maximum county income tax rate. Over the past five years, cap provisions have reduced State funding under the disparity grant program by approximately \$233 million.

MACo supports this bill as a reasonable and appreciated effort to mitigate the impact of these caps. The extension of this relief, offered to those aforementioned counties with the maximum local income tax rate of 3.2 percent, offers approximately \$8 million a year for two years to support needed public services.

Over the last three years, nine counties have raised their local income tax rates. Just this year, Dorchester and Washington raised their rates to the maximum rate of 3.2 percent. Somerset raised its rate to the maximum rate beginning in calendar year 2017. Caroline recently raised its rate to 3.2 percent in order to fund a new elementary school and sheriff’s department.

This bill will provide needed revenues to counties with limited revenue generation potential, to help fund necessary services such as public safety, schools, infrastructure, and community services. For these reasons, MACo urges a **FAVORABLE** report on HB 737.