



MACo Statement on 2018 Tax Relief Proposals (No Position)

HB 1039 - Income Tax – Itemized Deductions on State Income Tax Return

HB 1146 - Income Tax - Rates and Itemized Deductions

Date: March 6, 2018

To: Ways & Means Committee

From: Barbara Zektick

Federal Tax Effects – County Collaboration

Maryland faces a spillover challenge from recent federal tax reforms, with multiple changes carrying over to affect Maryland taxpayers and revenues.

Counties will not oppose broad-based legislation designed to counteract or offset these external effects. Most notably, and already underway, the fast-tracked effort to clarify the continued effect of Maryland personal exemptions nominally carries a negative fiscal note, but represents a straightforward continuation of existing tax policies. MACo is not treating this bill as a change in tax policy, and is not raising objections to the arguable local revenue effects. Counties plan to respond similarly to added proposals to stem or counteract federal changes.

Additional Pass-Through Changes – Counties Seek Local Determination

More broadly, however, there remain dozens of income tax proposals introduced this year by various sponsors. Each new or expanded subtraction modification essentially effects a statewide decision on each local jurisdiction, without any local determination of affordability.

Property taxes show the best collaborative way to enact targeted tax relief. The State and its local governments already work together here – where the State routinely grants a state-level tax credit, but then enables county governments to enact their own as a local option.

Given that this year's federal action presents the State with a need to realign many income tax provisions, MACo believes the time is right to also explore a better means to effect state-based tax offsets. The General Assembly and Comptroller should use this opportunity to explore manageable ways to build a framework for income tax credits similar to that used for property tax credits. State legislation to grant a state-based credit and empower counties to follow suit could create the same collaborative approach on income tax issues that serves property taxpayers well.