Senate Bill 498

Income Tax - Subtraction Modification - Employee-Owned Businesses

MACo Position: **OPPOSE**

Date: February 21, 2018

To: Budget and Taxation Committee

From: Barbara Zektick

The Maryland Association of Counties (MACo) **OPPOSES SB 498**. This bill allows a subtraction modification for certain income realized from the creation of an employee stock ownership plan (ESOP), an employee ownership trust, or a direct share ownership plan.

MACo is concerned with the carryover county fiscal effects of this and other subtraction modification pieces of 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.

SB 498 is just one of many bills that have been introduced this session to reduce or adjust the income taxes paid by residents of Maryland. The revenue effect of this bill, combined with that of other bills already introduced this session, simply cannot be afforded as a statewide county mandate and could present substantial budget difficulties. This is exacerbated by the fact that counties do not know yet just how tax reform will affect their revenues.

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.

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 SB 498 an **UNFAVORABLE** report.