



Senate Bill 764

Local Governments - Income Tax Disparity Grants - Amounts

MACo Position: **SUPPORT**

To: Budget & Taxation Committee

Date: March 7, 2018

From: Barbara Zektick

The Maryland Association of Counties (MACo) **SUPPORTS** SB 764. This bill extends by two years a temporary enhancement of disparity grant funding for four counties: Caroline, Prince George's, Somerset, and Wicomico.

Disparity grants are designed to promote fiscal equity in the state by providing grants to less affluent counties with proven local income tax effort. The disparity grant program serves to assist jurisdictions whose income tax yield substantially trails other counties, so their essential public services do not falter for lack of local tax base. 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.

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 \$6 to \$7 million a year for two years for public services in counties where this assistance is necessary.

Over the last six years, five counties have raised their local income tax rates. Somerset raised its rate to the maximum rate of 3.2 percent beginning in calendar year 2017. Caroline recently raised its income tax rate to the maximum rate of 3.2 percent in early November 2017, with the expectation that the new revenue could help 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 public services such as public safety, schools, infrastructure, and community services. For these reasons, MACo urges a **FAVORABLE** report on SB 764.