



Maryland Municipal League

The Association of Maryland's Cities and Towns

TESTIMONY

February 14, 2023

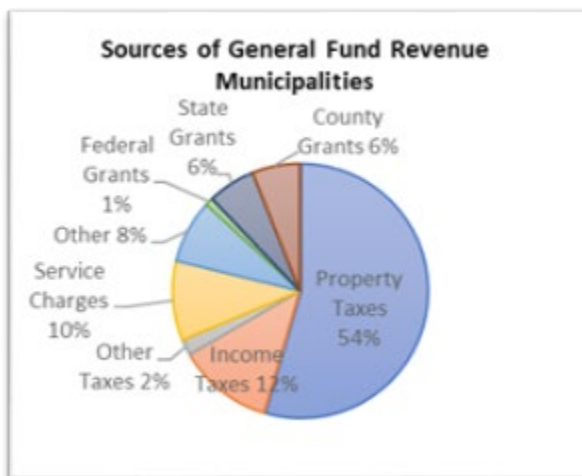
Committee: House Ways and Means Committee

Bill: HB 450 - Property Tax – Municipal Corporation Business Personal Property Tax Rate – Alterations

Position: Oppose

Reason for Position:

The Maryland Municipal League opposes SB 450 which would cap municipal personal property tax rates according to a formula based on the real property rate of other municipalities and their respective county.



Based on our research, this bill appears to address a hyper-local issue but limits municipal authority generally and can impact several other communities in an unintended manner because of the chosen formula.

Municipalities are overdependent on property taxes to provide essential services for their residents. Over half of municipal general fund revenues are derived from property taxes, and for some, property taxes account for over 65% of total revenues. Local jurisdictions have little control over the other major sources of revenue, leaving municipalities with few options when

fiscal challenges arise, and they have even fewer levers to navigate tax equity.

For municipalities, the personal property tax rate can operate like the State or county's progressive income tax code or corporate taxes, creating opportunities for both tax fairness and relief to everyday residents who are largely burdened by real property taxes.

The League's longtime stance is that local issues are best addressed with local solutions. Municipal government is the government closest to the people and residents have a several avenues to affect

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change, including the ballot box. One-size-fits-all solutions – like the one proposed here – will do more harm across the state than good.

For example, under this formula:

- The capital City of Annapolis’s personal property rate would be limited by the real property rate of the 118-resident Town of Highland Beach.
- As the only municipality in St. Mary’s County, the Town of Leonardtown’s personal property rate would be limited by the real property rate of St. Mary’s.
- Municipalities in Montgomery County would be limited to a personal property tax rate less than 2.1% due to the average being dragged down by lower real property rates in some of the smaller and wealthier municipalities (This rate would be lower than many counties).

The Maryland Municipal League therefore respectfully requests the Committee provide HB 450 with an unfavorable report.

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