



House Bill 1163

Income and Property Taxes - Qualified Maryland Opportunity Zone Investments

MACo Position: **SUPPORT**
WITH AMENDMENTS

To: Ways & Means Committee

Date: March 8, 2019

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** HB 1163 **WITH AMENDMENTS**. This bill creates a subtraction modification against the state income tax for certain capital gains that qualify for federal income tax benefits under the Opportunity Zone Program. In addition, the bill would require a local government to grant a property tax credit for investments made within a qualified Opportunity Zone.

Counties are eager and committed partners in promoting economic growth and creating opportunity – we prefer local autonomy in determining the best way locally. The Maryland Association of Counties (MACo) opposes state-mandated reductions in local revenue sources, but welcomes tools to grant counties options and flexibility to pursue their own parallel tax incentives, or to develop others to suit their local needs.

HB 1163 generally enhances federal tax incentives for investors to re-invest their unrealized capital gains into Opportunity Funds that are dedicated to investing into low-income or under-served urban and rural communities across Maryland. Some of the incentives offered to businesses are drawn from local revenues such as the income and property tax. Absorbing these revenue losses would force local jurisdictions to choose between business incentives and funding education, public safety, roadway maintenance, and other essential services.

In general, MACo stands for local self-determination. Counties, led by their elected leaders who are directly accountable within the community, are in the best position to make decisions on local affairs – ranging from land use to budget priorities. MACo urges the Committee to primarily consider state income tax credits as the best means to incorporate income tax relief as part of a broader policy. Furthermore, counties request a more flexible approach to the proposed property tax credits; one that would authorize local jurisdictions to determine the amount and duration of the property tax credit.

Counties stand ready 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. Accordingly, MACo urges the Committee to issue a **FAVORABLE WITH AMENDMENTS** report on HB 1163.