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Local Revenue Reforms To Meet Today's Needs

MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

Acknowledgement

This report was prepared by the Maryland Center on Economic Policy (MDCEP) with financial support from the Maryland Municipal League (MML). Both organizations believe that Maryland's local governments provide essential services to their communities, that they need a robust suite of revenue options to meet those needs, and that fiscal policy should be informed by credible analysis.

The goals of this report are:

- To survey the current revenue options available to local governments in Maryland and assess the need for further flexibility
- To identify potential new revenue options for local governments
- To analyze revenue options in terms of equity, possible administrative or legal issues, and where possible, revenue potential
- To make recommendations to state lawmakers on equitable revenue policies to ensure that Maryland's local governments have sufficient resources to meet their communities' needs

All opinions and recommendations in this report are solely those of MDCEP. MDCEP had final say in making recommendations. MML does not endorse any specific opinion or recommendation in this report. All analysis in this report is attributable to MDCEP.

1. Introduction and Summary

Local governments form part of the scaffolding that supports communities across Maryland. Municipalities and counties together are responsible for the vast majority of public investments in bedrock infrastructure such as public safety and sanitation, as well as more than half of key quality-of-life contributors like parks, recreation, and libraries. Yet local governments face significant fiscal challenges such as stagnant taxable property values and unreliable federal and state aid. To protect the public services Marylanders rely on, local governments need a robust menu of revenue options.

Just as importantly, local tax codes should advance broadly and equitably shared prosperity. That means ensuring that wealthy individuals and businesses pay their fair share rather than asking working families to bear the greatest tax responsibilities. Although Maryland does better on this front than most other states, the wealthiest 1% (with annual income over $700,000) still pay a smaller share of their incomes in state and local taxes here than most other income groups. Policymakers should look first to revenue options that will raise the most from those with the greatest ability to pay.

Thoughtful reforms to municipal and county taxing authority would ensure that local policymakers have a range of options in order to address fiscal challenges and meet their communities' needs, while encouraging tax policies that will build broadly shared opportunity.

Recommendations: Property Taxes (Section 3)

- Allow counties to apply **different tax rates to different types of property**, just as municipalities are able to today.
- Explicitly allow both municipalities and counties to apply **graduated property tax rates** based on a property's assessed value.
- Let local policymakers choose whether and how to limit the growth of owner-occupied homes' taxable value by **making the Homestead tax credit optional**.

Recommendations: Income and Payroll Taxes (Section 4)

- **Increase the cap on county income tax rates.** Counties face rising costs on multiple fronts, but today most are at or near the statewide 3.3% rate cap. Increasing the cap to 5.0% would unlock billions in new revenue.
- Authorize employer-side **payroll expense taxes** for both municipal and county governments. Employers and commuters increase demand for local services, but do not contribute to resident income taxes.

Recommendations: Sales and Consumption Taxes (Section 5)

- **Reform hotel and short-term rental taxing authority**, including repealing arbitrary restrictions on municipal hotel taxes.
- Consider **broader sales tax authority only alongside more equitable reforms** such as increasing the local income tax cap.

Recommendations: Transfer and Recordation Taxes (Section 6)

- Allow **different tax rates for different types of property.**
- Allow **municipal transfer and recordation taxes**.
- **Streamline transfer tax authority** by removing county-specific restrictions and rate caps.

Recommendations: Affordability Measures (Section 7)

- **Expand authority to offer targeted "circuit breaker" property tax credits.** Lawmakers should authorize both counties and municipalities to offer both homeowners and renters credits.
- Allow **municipalities to match the Earned Income and Child Tax Credits**, just as counties can under current law.

2. Background

Maryland's Local Governments Are Indispensable

Communities across Maryland could not survive without the services local governments provide. Together, municipal and county governments bear significant fiscal responsibility for many core public services:[i]

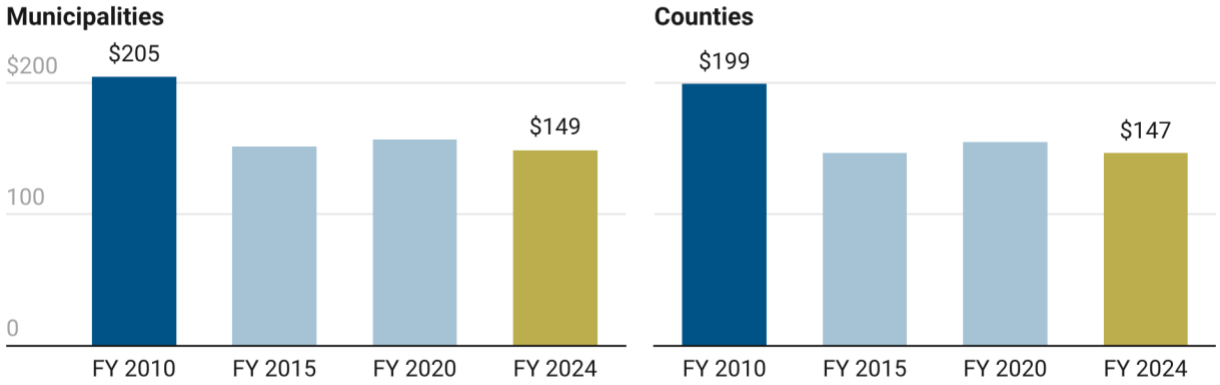
- Sewers, solid waste, and water: 73% of expenditures are by municipal and county governments
- Public safety:[ii] 71%
- Housing and community development: 68%
- Parks and recreation: 56%
- Libraries: 56%
- K-12 education: 38%
- Transportation: 16%

However, these governments face mounting fiscal challenges:

- Taxable property values – the most important locally generated (or "own-source") revenue stream for municipal and county governments – fell sharply following the Great Recession and have never fully recovered. **Adjusted for inflation and population change, property values remained more than 25% below their pre-Great Recession peak as of fiscal year 2024 (July 2023 to June 2024).**[iii] Although housing prices have surged in recent years, the increasing prevalence of work-from-home policies has reduced demand for office space and depressed commercial real estate values.
- Transfers from the federal and state governments are important funding sources for municipalities and counties, but they have a history of volatility. Adjusted for inflation and population change, this revenue stream declined by 38% from FY 2006 to 2014, with grants to municipalities falling by half.[iv] Although these revenues increased following the COVID-19 pandemic, federal grants in particular have fallen off, declining by 18% from 2021 to 2024 (16% for municipalities, 18% for counties). These revenues could easily fall

Taxable Property Values Never Recovered from Great Recession

Assessable base per capita for municipalities and counties (constant FY 2024 $), selected fiscal years 2010–2024



Adjusted for inflation using the Implicit Price Deflator for State and Local Governments.

Chart: Maryland Center on Economic Policy • Source: MDCEP analysis of DLS Local Government Finances data, Bureau of Economic Analysis price data, U.S. Census Bureau Population Estimates Program. • Created with Datawrapper

further in light of the state's fiscal challenges and the federal government's targeted funding and staffing cuts.

- Counties' legally required funding responsibilities are headed upward. This includes higher public school funding expectations under the Blueprint for Maryland's Future law, an important measure to guarantee all Maryland children a high-quality education, as well as state cost shifts for retirement contributions and tax administration.

These fiscal headwinds pose a choice for local policymakers: they can either raise significant new revenue, or they can cut services their communities rely on, from public safety to libraries.

Maryland's Local Revenue Mix in Context

Local governments across the United States vary widely in how they raise revenue. Maryland's revenue mix is typical in some respects and unusual in others:[v]

- Property taxes account for 39% of local own-source revenue both in Maryland and nationwide.
- Income taxes account for 27% of local own-source revenue in Maryland, compared to only 3% nationwide.
- Sales and other consumption taxes account for only 3% of local own-source revenue in Maryland, compared to 11% nationwide. Maryland is one of only six states that do not allow local governments to levy general sales taxes or allocate a share of sales tax revenue to local governments.
- Service charges account for 15% of local own-source revenues in Maryland, compared to 23% nationwide.

Maryland's choice to emphasize local income taxes more than consumption taxes and service charges helps make our tax code fairer than in most other states. Income taxes are among the

most effective ways to raise revenue from wealthy individuals, while sales taxes draw disproportionately from working families. Service charges tend to be the most inequitable of all, as they often have no mechanism to account for ability to pay.

Despite our advantages, Maryland's tax code still allows the wealthiest 1% (those with annual income exceeding $700,000) to pay a smaller share of their income in state and local taxes than most other income groups.[vi] Relying too much on lopsided revenue sources such as sales taxes would move us in the wrong direction.

Within Maryland, three core revenue streams dominate both county and municipal own-source revenues, though they differ in relative importance:[vii]

- Property taxes are the most important source in both cases, accounting for 38% of own-source revenues for counties and 37% for municipalities.
- Individual income taxes rank second for counties, generating 31% of their own-source revenues. Municipalities do not have independent power to levy individual income taxes, but receive a portion of local income taxes paid by their residents, accounting for only 10% of own-source revenues.
- Conversely, service charges account for 32% of municipal own-source revenues, compared to only 12% for counties.

The above numbers include *enterprise revenue* supporting government activities operated in a manner similar to a private business enterprise. Because enterprise revenues are tied tightly to the specific activities they support, they cannot fund the broad range of essential public services or prevent budget cuts during an economic downturn.

Property taxes account for 55% of municipalities' more flexible general (non-enterprise) revenues, compared to only 44% for counties. Service charges are 7% of general revenues for municipalities and 3% for counties.

The Road Ahead

If local policymakers wish to avoid deep budget cuts that would harm their communities, most will have to raise additional revenue in the years to come. Both municipal and county governments have options for raising new revenue under current law, and they should not dismiss these options (see Appendix B). At the same time, a flexible, robust slate of revenue policy options is the best way to protect public services. State policymakers should consider expanding local taxing authority, with a particular eye toward equity and affordability for working families.

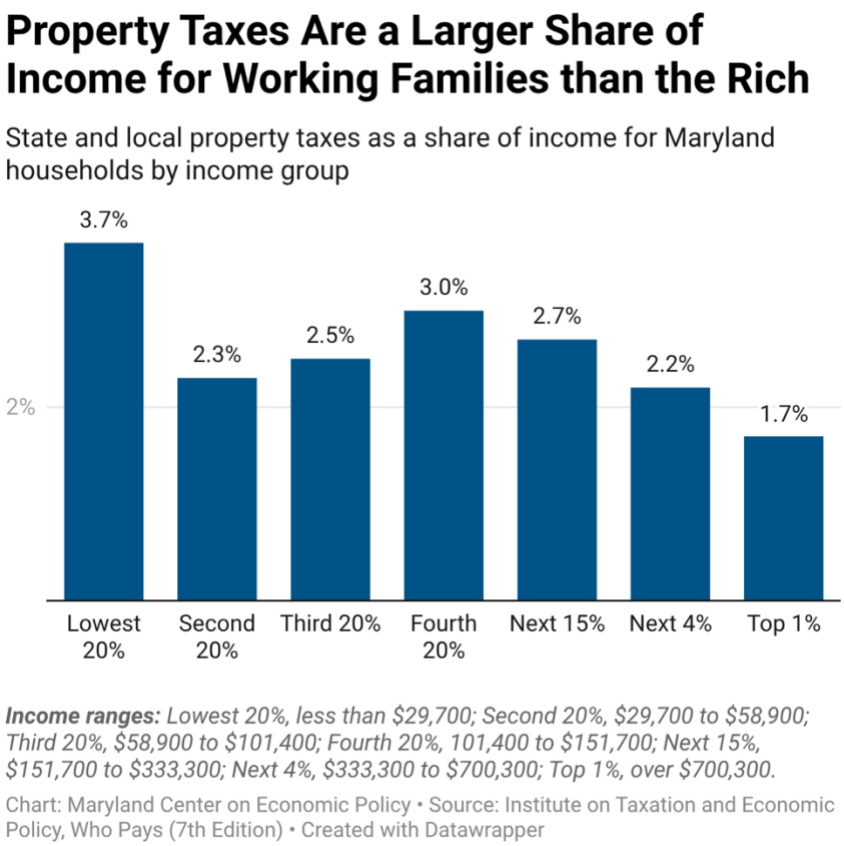
3. Property Taxes

Property taxes are the most important locally generated revenue stream for Maryland municipalities and counties, accounting for 39% of all local own-source revenues as of FY 2024. Property taxes are especially important in municipalities, where they account for slightly more than half of own-source revenues not dedicated to specific purposes.[viii]

Maryland's levels of property taxes are unexceptional in a nationwide context:[ix]

- Property taxes account for 39% of local own-source revenue nationwide, essentially identical to their share in Maryland.

- Property taxes are also a smaller share of local own-source revenue in Maryland than in all but one of our neighbors (the District of Columbia).
- Maryland is somewhat unusual in levying a state property tax. However, this does not change the overall picture. Combining state and local own-source revenues, property taxes are a smaller share in Maryland than the nationwide average and in the middle of the pack among our neighbors.



- Using other measures does not change this conclusion. Property taxes are a smaller share of Maryland's economy than the nationwide average and are smaller in dollar terms per capita, even though Maryland is a high-income state.

Property taxes in Maryland are upside-down, amounting to a larger share of income for working families than for wealthy individuals.[x] This is partly because renters pay significant indirect property taxes in the form of higher rent. Furthermore, there is evidence that over- and underassessment of some properties may worsen this problem.[xi] Nonetheless, property taxes in Maryland are less imbalanced than sales taxes or service charges.

Policy Options

Property Tax Option 1: Differential Property Tax Rates (Counties)

♦ TOP RECOMMENDATION

While both counties and municipalities depend on property taxes, they do not have the same property tax authorities. Municipalities have broad authority under state law to apply different tax rates to different types of property, such as commercial and residential property. Counties have much more limited authority, for example allowing them to apply a special rate to vacant properties.

Granting counties the same flexibility as municipalities would open up an array of revenue options, such as raising more revenue from commercial properties like data centers without increasing families' tax responsibilities.

Property Tax Option 2: Graduated Tax Rates (Including Mansion Property Taxes)

♦ TOP RECOMMENDATION

Applying graduated property tax rates – that is, varying tax rates by a property's value – is a promising avenue for raising more revenue while making property taxes more equitable. Graduated rates are one of the key reasons why income taxes are able to generate a larger share of revenue from wealthy individuals than other types of tax. Because real estate held by households is a form of wealth, graduated property tax rates have the additional benefit of taxing built-up assets, one of the most powerful ways our tax code can promote racial equity.

Under current law, Maryland municipalities *may* have authority to establish graduated property tax rates. Counties do not have this authority.

Policymakers should carefully consider two questions when designing graduated property taxes:

- **What kinds of property should graduated rates apply to?** The case is strongest for applying graduated rates to single-family housing, as higher-value homes generally belong to families with higher incomes and more built-up assets. For example, a **mansion property tax** would raise new revenue by applying a higher tax rate to high-value single-family homes. On the other hand, applying graduated rates to multifamily housing would likely make property taxes more unbalanced, not less. While a $5 million house is an extravagant luxury, a $5 million apartment building may provide affordable housing to a dozen or more families. Given the greater diversity in types of nonresidential real estate, applying graduated tax rates to these properties could have positive, negative, or negligible equity impacts.
- **Should graduated rates apply on a stepped or a marginal basis?** The stepped approach would apply each bracket's tax rate to a property's full assessed value, while the marginal approach would apply each bracket's tax rate only to assessed value exceeding that bracket's lower boundary – similar to income taxes. The marginal approach is economically superior, but administratively and perhaps legally more complicated. See Appendix A for detailed discussion.

Lawmakers should explicitly authorize both municipalities and counties to establish graduated property tax rates. Legislation to do so should follow these guidelines:

- **If possible, allow marginal tax rates.** The marginal approach avoids creating "cliffs" where tax responsibilities suddenly and steeply increase at bracket boundaries. This approach reduces the risk of tax avoidance and brings equity benefits as well. It is *possible* that the marginal approach would conflict with the "uniformity" clause in Maryland's Constitution. Answering this question is outside the scope of this report. If it is determined that there is no conflict, lawmakers should allow local policymakers to use the marginal approach. If there is a conflict, lawmakers should consider initiating the amendment process to allow marginal rates.
- **Do not restrict existing authority.** Current law gives municipalities broad authority to classify real property and apply different tax rates to different types of property. It is

possible that this authority already enables them to establish graduated property tax rates. This question is beyond the scope of this report. If municipalities already have this authority, lawmakers should make it explicit in state law and extend it to counties without modification.

- **Give special consideration to mansion property taxes.** As discussed above, the equity case for using graduated property taxes is strongest for single-family housing and weakest for multifamily housing. *If it is determined that municipalities do not currently have broad authority to establish graduated property taxes*, lawmakers should consider authorizing graduated rates only for single-family housing.

For the purpose of raising new revenue and addressing fiscal challenges, graduated rates would allow policymakers to establish higher tax rates on high-value properties. They may also be interested in reducing tax rates on low-value properties. This should be approached with caution. For counties, current law offers a more effective way to improve affordability for low-income homeowners in the form of "circuit breaker" homeowners tax credits (see Section 7, Affordability Measures). Lawmakers should expand this authority to allow assistance to renters, who pay indirect property taxes in the form of higher rent, and grant it to municipalities as well as counties.

For illustration, Table 1 reports revenue estimates for two versions of a mansion property tax on single-family homes with an assessed value of at least $1 million (about 5% of owner-occupied homes), if enacted in all jurisdictions: one applied on a stepped basis with tax rate of a $0.50 per $100, and one applied on a marginal basis with a tax rate of $1.50 per $100 assessed value. In this example, the mansion tax applies on top of existing property taxes.

Table 1. Mansion Property Tax Illustrative Revenue Estimates

	Tax Rate per $100 Assessed Value	Municipalities	Counties
Stepped	$0.50	$71 million	$643 million
Marginal	$1.50	$73 million	$624 million

See Appendix C for individual-jurisdiction revenue estimates.

Property Tax Option 3: Make Homestead Assessment Growth Cap Optional

♦ TOP RECOMMENDATION

Maryland's mandatory Homestead tax credit imposes a statewide 10% cap on annual growth in the taxable value of owner-occupied primary homes. However well-intentioned, this policy disproportionately benefits wealthy homeowners, places greater tax responsibilities on first-time buyers and renters, and does not target tax breaks to those who truly need help.

Most states do not require local governments to limit assessment growth.[xii] Nationwide, 28 states allow local jurisdictions to choose whether to limit assessment growth, including all of Maryland's neighbors. Maryland should join these states by making the local Homestead credit optional. This would empower local elected leaders to set tax policy suited to their communities' needs.

Ideally, this reform would accompany broader local authority to establish "circuit breaker" tax credits, which are a better approach for targeting help to families experiencing financial hardship (see Section 7, Affordability Measures).

Property Tax Option 4: Split Rate Property Tax or Land Value Tax

A standard real property tax, including property taxes in Maryland, applies a single tax rate to a property's total value – the value of the land itself, plus any buildings or other improvements. In principle, there is no reason why all components of a property must be taxed at the same rate. A **split rate** property tax applies one tax rate to a property's land value and a different, typically lower rate to the value of any buildings or other improvements. In the special case of a split rate system where the tax rate on improvements is zero, this is called a **land value tax**.

Split rate systems incentivize efficient use of land, potentially leading to increased density and its associated economic and sustainability benefits. There is some evidence that split rate property taxes may be more equitable than standard property taxes because they derive more revenue from large lots and highly desirable areas. However, split rate systems are not necessarily always distributionally superior to standard property taxes. The wider the gap between the tax rates on land and improvements, the higher the tax rate on land will have to be to raise the same amount of revenue.

Municipalities have authority to use split rate systems under current law, according to a 1995 Attorney General's opinion.[xiii] Lawmakers should extend this authority to counties, ideally as part of a comprehensive package of reforms to property tax authority.

Property Tax Option 5: Make Homestead Assessment Growth Cap More Flexible

By far the best option for the Homestead credit is to allow local governments to choose whether to participate. Short of that, lawmakers could grant local governments greater flexibility in administering the credit. For example:

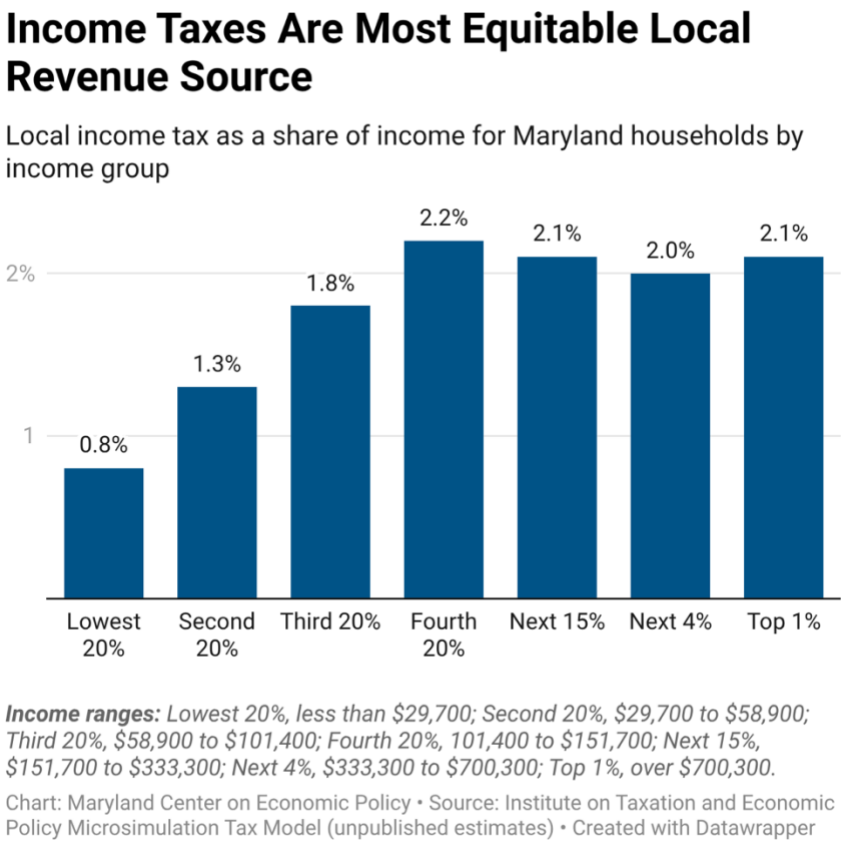
- **Increase the statewide growth cap.** Allowing local governments to cap assessment growth at 15% or 20% would allow local policymakers to raise more revenue if they choose, while maintaining a statewide limit on how much homeowners' assessed value can increase each year. Lawmakers could simultaneously adopt this higher cap for the state property tax, or keep the 10% state-level cap while allowing local governments more options.
- **Allow local governments to establish income-based eligibility limits**. Income-based targeting would allow policymakers to protect low- and middle-income families without automatically handing costly tax breaks to wealthy households that can afford to pay more.
- **Allow other targeting approaches.** The state could grant local policymakers the flexibility to limit the homestead credit based on criteria other than income, such as offering it only to seniors or homeowners with a disability – or setting different income thresholds for these groups.

4. Income and Payroll Taxes

Income taxes are Maryland's second-most important local revenue stream, generating 29% of local own-source revenue in 2024.[xiv] Income taxes are especially important for counties, which

can set local income tax rates between 2.25% and 3.30%, with the option to apply graduated, bracket-based tax rates.

Municipalities do not have independent income taxing authority but rather receive either 17% of local income taxes or 0.37% of residents' state taxable income, whichever is greater. This means that **income taxes are a smaller revenue source for municipalities** – providing only 10% of own-source revenue as of FY 2024 – and that **municipal policymakers lack power to raise additional revenue through income taxes when necessary**.



Income taxes are the fairest revenue source available to Maryland local governments, and among their few options for raising revenue specifically from wealthy individuals.[xv]

Policy Options

Income Tax Option 1: Increase Tax Rate Cap (Counties)

♦ TOP RECOMMENDATION

The local income tax is counties' best tool for facing budget challenges equitably, but most are near the limit and can therefore raise little new revenue under current law.

Substantially increasing Maryland's local income tax rate cap – such as setting the limit at 5% – would give policymakers the tools they need to face rising costs, unreliable federal aid, and increasing funding responsibilities.

For illustration, Table 2 reports approximate revenue estimates if all counties levied flat income taxes at rates of 4.0%, 4.5%, or 5.0%.

Table 2. Illustrative Revenue Estimates for Increased County Income Tax Rate Caps	
Tax Rate	**Additional Revenue**
4.0%	$2.3 billion
4.5%	$3.5 billion
5.0%	$4.8 billion

See Appendix C for individual-jurisdiction revenue estimates.

Income Tax Option 2: Income Taxing Authority (Municipalities)

Today, municipalities receive a portion of local income taxes paid by their residents, but counties have sole authority to set tax rates. If county policymakers choose to levy the minimum 2.25% local income tax rate, municipalities lose out on much-needed revenue without any recourse. This is out of line with municipalities' general fiscal independence under state law. Independent income taxing authority would expand municipal policymakers' options for meeting their communities' needs.

For illustration, if all municipalities had levied a flat 1.0% local income tax in tax year 2024, they could have raised $355 million.

See *Appendix C for individual-jurisdiction revenue estimates.*

Income Tax Option 3: Payroll Expense Tax

♦ TOP RECOMMENDATION

While local income taxes apply to a jurisdiction's *residents*, **employers and commuters also use public services**. They drive on roads, they rely on police and fire protection, and they increase the load on sewer and water infrastructure. But local governments have no way to raise revenue directly from this activity and, as recent history has shown, even a growing economy does not necessarily translate into rising commercial property values.

Payroll expense taxes would allow local governments to ensure that employers pitch in toward the public services they rely on.[xvi] Like other payroll taxes, these are based on the amount of wages or salaries paid to employees located in a jurisdiction, making them similar in some respects to income taxes. As the name implies, payroll expense taxes are typically paid by the employer rather than the worker.

A growing number of local governments across the country use payroll expense taxes. For example, employers in New York City and seven surrounding counties are subject to a payroll expense tax used to fund the Metropolitan Transportation Authority, with an exemption for small employers.[xvii]

Payroll expense taxes may be an especially attractive option for municipalities, which are often hubs of economic activity. Maryland's incorporated places – municipalities plus Baltimore City – are home to 25% of the state's residents, but 32% of the state's private-sector jobs.[xviii] While

those jobs are of course desirable, they also increase the need for public services. A payroll expense tax would help support those services.

Illustrative revenue estimates for three versions of a payroll expense tax are presented below, each with a tax rate of 1%.[xix] These variants differ in which employers are subject to the tax:

- **Option A: All private employers.** This option casts the widest net and generates the most revenue.
- **Option B: Private employers with at least 20 employees.** This option is intended to approximate the 15-employee small employer exemption used in Maryland's Healthy Working Families Act. The slightly higher threshold was chosen due to available data.
- **Option C: Private employers with at least 250 employees.** This option is intended to affect only a small number of the largest businesses. Because large businesses account for a large share of jobs, this option retains more than half of the revenue raised under Option A, despite affecting a fraction as many businesses.

Table 3. Payroll Expense Tax Illustrative Revenue Estimates

	Municipalities	Counties
Option A: All private employers	$216 million	$1.3 billion
Option B: 20+ employees	$176 million	$1.1 billion
Option C: 250+ employees	$114 million	$743 million

See Appendix C for individual jurisdiction revenue estimates.

5. Sales and Consumption Taxes

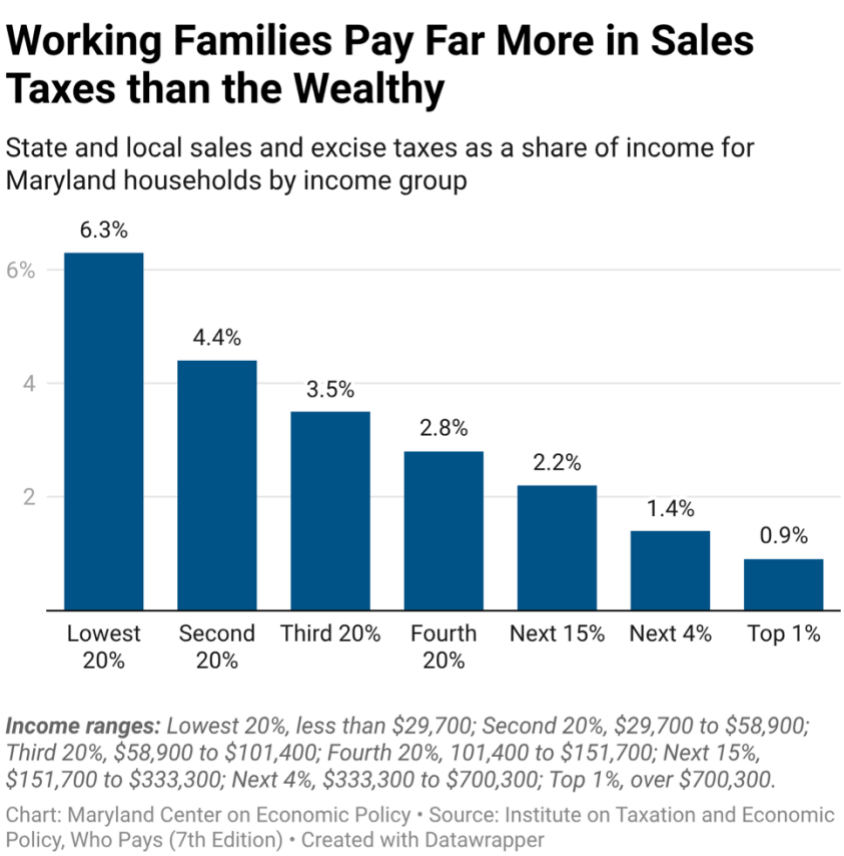
Sales and other consumption taxes are a smaller but still important revenue source for Maryland local governments, generating 3% of local own-source revenue in 2024.[xx] Sales and consumption taxes include both *general* sales taxes like the state's 6% sales tax and *selective* sales taxes such as hotel and admission and amusement taxes.

Local consumption tax revenues in Maryland come entirely from selective sales taxes, as we are among the six states nationwide that do not either allow local governments to levy general sales taxes or allocate a share of state sales tax revenue to local governments.[xxi]

Sales taxes can serve as an important revenue source and provide needed funding for public services that thriving communities depend on. **Commercial activity depends on the services local governments provide, and increases the demand for those services.** Workers, customers, and merchandise put wear and tear on local roads. Businesses rely on police and fire protection, and increase the load on sewer and water infrastructure. But local governments have no way to raise revenue directly from this activity and, as recent history has shown, even a growing economy does not necessarily translate into rising commercial property values.

At the same time, sales taxes are among the least equitable taxes in terms of their impact on families at different income levels.[xxii] On this front they are still superior to service charges, which often do not have any mechanism to account for families' ability to pay.

Some selective sales taxes are less severely imbalanced, to the extent that they target goods and services disproportionately consumed by wealthy individuals. Examples include taxes on hotel stays and prepared food or restaurant meals. From an equity standpoint, these may be superior to general sales taxes, though they have less revenue potential. Even these options are typically less equitable than income taxes.



Expanding local sales taxing authority would empower local policymakers to raise the revenue their communities need and protect essential public services but should be balanced against the goal of advancing broadly shared prosperity through the tax code.

Policy Options

Sales Tax Option 1: Reform Hotel and Short-Term Rental Tax Authority

♦ TOP RECOMMENDATION

Hotel and short-term rental taxes are an example of a selective sales tax that is likely less severely unbalanced than other sales taxes because it applies to a service disproportionately consumed by wealthier individuals. All Maryland counties have authority to tax hotel rentals and short-term rentals, with wide variation in rate caps and allowable uses set in state law:

- State law caps hotel tax rates in 17 counties, with caps ranging from 3% in Cecil County to 8% in Allegany and Garrett counties. Seven counties have flexibility to set hotel tax rates without any state-imposed cap.
- Most code counties are subject to a default cap of 3%, with higher rates requiring unanimous approval of the county commissioners.
- Four counties are required under state law to dedicate a substantial portion of hotel tax revenue to tourism promotion and similar activities.

- For hotel rentals located in a municipality, 10 counties are required to share a portion of revenues with the municipal government. In most cases, counties may retain a portion of this revenue to fund tax administration and pass 100% of the remainder to the municipality where the stay occurred.

Legislation enacted in 2026 broadened local governments' authority to tax short-term rentals other than hotels and to collect taxes from intermediaries such as Airbnb and Expedia.

Unlike most aspects of tax policy, municipal authority to tax hotel rentals depends heavily on the county:

- In the 10 counties that are required by law to share hotel tax revenues with municipal governments, municipalities do not have independent taxing authority. A municipality also may not independently tax hotel stays or short-term rentals if it enters into a revenue-sharing agreement with the county in which it is located.
- If a county dedicates at least 50% of hotel tax revenues to tourism promotion, municipalities do not have independent taxing authority. Four counties are required to meet this standard under state law, but other counties may also trigger this restriction by voluntarily dedicating revenue to tourism promotion.
- If a county chooses not to tax hotel rentals – which is not currently the case in any county – municipalities would lose authority to levy their own taxes.
- Together, these restrictions prohibit municipalities in 14 counties from levying hotel taxes. Municipalities not located in these counties may levy a hotel rental tax of up to 2%.

Lawmakers should take several steps to reform local authority to tax hotel stays and short-term rentals:

- **Repeal the prohibition on municipal taxes in counties that dedicate revenue to tourism promotion.** Municipalities do not receive any direct revenue from county tourism promotion activities. Any potential indirect revenue from these activities – such as if these activities increase property values or resident incomes – is highly uncertain, especially because the prohibition applies even if county expenditures on tourism promotion occur entirely outside municipal boundaries.
- **Give local policymakers flexibility to use hotel tax revenues as needed to meet their communities' needs**, without state-imposed requirements to dedicate revenue to tourism promotion.
- **Consider modifying state-imposed tax rate caps.** The most uniform and flexible approach would be to simply remove rate caps for both counties and municipalities. Today, three-quarters of all Marylanders live in a county not subject to a state-imposed cap on hotel tax rates.

Sales Tax Option 2: Update Admission and Amusement Tax Rate Cap

Taxing ticketed entertainment events may also be a more equitable option than other sales taxes. State law currently limits local taxes on admissions and amusements (for example, concerts and dance clubs) to 10%. Six counties already charge the maximum rate. State lawmakers should consider eliminating or increasing the cap so that local policymakers have flexibility to raise needed revenue.

Sales Tax Option 3: Food and Beverage Taxing Authority

Expanding local selective sales taxing authority to include prepared food and beverages – that is, restaurant meals (eat-in or takeout) and alcoholic beverages for consumption on premises – would provide a meaningful revenue option with less severe distributional problems than other sales taxes. This is both because restaurant meals are more expensive than groceries and because there is wide variation in the price of restaurant meals. In other words, not only do wealthier individuals eat at restaurants more often, their meals may be significantly more expensive than those purchased by working families. While food and beverage tax is likely fairer than most other sales tax options, it is still not as equitable as other revenue streams such as income taxes.

Code counties are currently authorized to levy these taxes in designated resort areas. Worcester County charges a 0.5% food and beverage tax within Ocean City.

Illustratively, if all local jurisdictions statewide adopted a 1% food and beverage tax, this would raise about **$32 million for municipalities** or **$141 million for counties**.[xxiii]

See Appendix C for individual jurisdiction revenue estimates.

Sales Tax Option 4: Alcohol, Tobacco, and Cannabis Taxing Authority

Nationwide, local governments raised $1.1 billion in alcohol and tobacco taxes in FY 2024, less than 0.1% of local own-source revenue.[xxiv] Complete data on local cannabis tax revenue are not readily available.

- Local governments in 22 states raise revenue from selective sales taxes on alcoholic beverages.
- Local governments in 9 states raise revenue from selective sales taxes on tobacco products.
- As of 2023, 11 states allowed local selective sales taxes on cannabis sales, and local governments in six states raised derived general sales tax revenue from cannabis sales.[xxv] Only three states with legal adult-use cannabis sales did not allow any form of local taxation.

Local governments in Maryland receive a portion of state cannabis taxes, but do not have independent taxing authority:

- Counties directly received $2.3 million in cannabis revenue in FY 2026 (2% of total cannabis revenue) and are required to transfer to municipalities 50% of revenues attributable to sales within their borders.
- $16.2 million in cannabis revenue went to the Community Reinvestment and Repair Fund in FY 2026 (17% of total cannabis revenue), which funds services to build economic opportunity in communities disproportionately harmed by cannabis prohibition. This revenue is initially distributed to counties, which are responsible for allocating it to qualifying programs. Counties may not use this revenue to fund general public services.

Authorizing county and municipal governments to independently tax alcohol, tobacco, and cannabis sales would give policymakers more flexibility to fund services and meet their communities' needs. However, like other consumption taxes, these would place the greatest responsibilities on working families.

Sales Tax Option 5: General Sales Taxing Authority

General sales taxes are the largest absence from Maryland local governments' revenue menu. Maryland is one of only six states that do not either allow local general sales taxes or allocate a share of sales tax revenue to local government.

There is good reason for caution around expanding reliance on the sales tax. It is one of the most imbalanced revenue sources available to state and local governments. As a share of income, Maryland's state sales tax costs low-income families (with annual income under $30,000) about eight times as much as the wealthiest 1% (annual income over $700,000).[xxvi] Our comparatively low reliance on sales taxes is one important reason why our tax code is fairer than many other states' – yet the wealthiest 1% here still pay a smaller share of their income in state and local taxes than most other income groups. Relying too much on sales taxes and other lopsided revenue sources would move Maryland in the wrong direction.

At the same time, a general sales tax would enable local governments to raise significant new revenue and protect public services that advance broadly shared prosperity.

Like payroll expense taxes, sales taxing authority may be especially valuable to municipalities due to their status as economic hubs. Maryland's incorporated places – municipalities plus Baltimore City – are home to 25% of the state's residents, but they account for about 35% of all taxable sales.[xxvii] This concentration of commercial activity also increases demand for public services.

If lawmakers choose to authorize a local general sales tax, they should do so as part of a broader suite of reforms that includes more equitable options – including fairer revenue-raisers and broader authority to offer refundable tax credits (see Section 7, Affordability Measures).

One option that would provide the strongest protection to low-income families would be to require counties and municipalities to offset a portion of general sales tax revenue with refundable tax credits, analogous to how some states such as Georgia have paired sales tax authority with an expectation to cut other taxes. Any approach along these lines would require careful balancing of the goals of local flexibility and tax fairness.

Illustratively, if all local jurisdictions statewide adopted a 1% general sales tax, this would raise about **$201 million for municipalities** or **$796 million for counties**.[xxviii]

See Appendix C for individual jurisdiction revenue estimates.

6. Transfer and Recordation Taxes

Transfer and recordation taxes are another relatively small but still meaningful local revenue source. Transfer taxes apply to real estate sales, while recordation taxes apply to the public recording of certain real estate, debt, and business ownership transactions. In practice, the tax bases for the two taxes significantly overlap, but recordation taxes have a somewhat broader tax base. Altogether, Maryland counties raised $1.3 billion in transfer and recordation tax revenue in FY 2021.[xxix]

The taxing authority landscape for transfer and recordation taxes is somewhat complicated:

- All counties are authorized to establish recordation taxes, with no limit on tax rates. Counties may establish graduated recordation taxes, including on a marginal basis (see Appendix A). However, counties are not authorized to vary recordation tax rates by a property's use.
- 20 Maryland counties are authorized to establish transfer taxes, and 19 currently do. Code home rule counties have general authority to levy transfer taxes, subject to a rate cap of 0.5%. Commission counties and charter home rule counties must receive individual state authorization to levy transfer taxes, with state-imposed rate caps set individually by county. Counties are generally authorized to establish graduated tax rates. Some counties vary transfer tax rates based on a property's use; in general, it is likely that counties can do so only with explicit state authorization.
- Municipalities are not authorized to establish either tax. County transfer and recordation taxes apply to transactions located inside a municipality, with all revenues generally going to the county.

Transfer and recordation taxes offer another opportunity to raise revenue from high-value real estate. While mansion property taxes raise revenue on these properties annually, graduated transfer and recordation taxes would do so at the time of sale.

Policymakers should consider the same factors in designing graduated transfer and recordation taxes as property taxes:

- **What kinds of property should graduated rates apply to?** Similar to property taxes, the strongest case for graduated transfer and recordation tax rates applies to single-family housing, as higher-value homes generally belong to families with higher incomes and more built-up assets. The case is weakest for multifamily housing and intermediate for nonresidential properties.
- **Should graduated rates apply on a stepped or a marginal basis?** The stepped approach would apply each bracket's tax rate to a property's full sale price, while the marginal approach would apply each bracket's tax rate only to the sale price exceeding that bracket's lower boundary – similar to income taxes. The marginal approach is economically superior, but administratively more complicated. The marginal approach does not pose legal obstacles in the case of transfer and recordation taxes. See Appendix A for detailed discussion of the two approaches.

Three counties currently use some form of graduated transfer or recordation tax:

- **Anne Arundel County** applies an additional 0.5% transfer tax on transactions with a price exceeding $1 million, applied on a stepped basis. Affordable housing developments are exempt from this additional tax. Revenue is dedicated to affordable housing.
- **Baltimore City's** yield excise tax applies to transactions exceeding $1 million. It is equal to 15% of recordation taxes paid plus 40% of transfer taxes paid, for a combined effective tax rate of 0.75%. It is applied on a stepped basis. The first $16 million in revenue, plus half of any remaining revenue, is dedicated to affordable housing.
- **Montgomery County** applies an additional, multiple-bracket recordation tax to transactions exceeding $500,000. This tax is applied on a marginal basis. For transactions exceeding $1 million, the additional tax rate is $6.90 per $500 consideration, equivalent to 1.38% of the sale price. Revenues are divided equally among capital projects, rental assistance, and school construction.

Transfer and Recordation Tax Option 1: Authorize Varying Rates by Use

♦ TOP RECOMMENDATION

While Maryland counties have authority to establish graduated transfer and recordation tax rates, they have much less flexibility to vary tax rates by a property's use. Recordation tax rates may not vary by use, while transfer tax authority varies by county.

Varying transfer and recordation tax rates by use would allow counties to raise additional revenue specifically from the highest-value single-family homes, which typically belong to families with high incomes and substantial built-up assets. The equity case for applying graduated tax rates is weaker for other types of property.

Lawmakers should authorize local governments to vary both transfer and recordation tax rates by a property's use.

Transfer and Recordation Tax Option 2: Municipal Taxing Authority

♦ TOP RECOMMENDATION

To ensure that municipal policymakers have flexibility to raise the revenue needed to meet their communities' needs, lawmakers should authorize municipal governments to establish both transfer and recordation taxes.

The simplest and most flexible option is to allow policymakers discretion to set tax rates as needed. All Maryland counties are free to set recordation tax rates as needed, and more than a quarter of Marylanders live in a jurisdiction with no state-imposed limit on county transfer taxes.

As is currently the case with property taxes, municipalities and counties could negotiate rules governing sales subject to taxation by both jurisdictions.

For illustration, if the state authorized municipalities to levy transfer taxes, **a 1% transfer tax in all municipalities would raise about $89 million per year statewide**.[xxx]

See Appendix C for individual jurisdiction estimates.

Transfer and Recordation Tax Option 3: Uniform Transfer Tax Authority

♦ TOP RECOMMENDATION

Maryland law currently creates a patchwork of transfer taxing authority across counties:[xxxi]

- Code counties are generally authorized to levy transfer taxes, subject to a 0.5% rate cap.
- Charter and commission counties require individual state authorization, with rate caps varying by county and in some cases by property type.

The solution is simple: lawmakers should authorize all counties to levy transfer taxes.

Concerning tax rates, the simplest and most flexible option is to allow policymakers discretion to set tax rates as needed. More than a quarter of Marylanders already live in a jurisdiction with no state-imposed limit on county transfer taxes. Alternatively, the state could establish a uniform rate cap across counties currently subject to a cap, high enough to allow all affected counties to raise significant new revenue in response to growing fiscal challenges. Lawmakers should not impose rate caps in counties not currently subject to one.

Transfer and Recordation Tax Option 4: Mansion Transfer Tax Allowance

If lawmakers choose to continue capping county transfer tax rates or to cap municipal transfer or recordation tax rates, they should at least provide an allowance for higher rates on high-value transactions, especially of single-family housing. This allowance should be high enough to allow local governments to raise significant new revenue.

For illustration, Table 4 presents revenue estimates for a simple, single-threshold mansion transfer tax on single-family homes sold for more than more than $1 million (about 7% of taxable single-family home sales). If enacted in all jurisdictions, the examples below would each raise about $9 million per year statewide for municipalities, or about $70 million statewide for counties.[xxxii]

Table 4. Mansion Transfer Tax Illustrative Revenue Estimates

	Tax Rate	Municipalities	Counties
Stepped	1.00%	$9 million	$68 million
Marginal	2.75%	$9 million	$71 million

See Appendix C for individual-jurisdiction revenue estimates.

7. Affordability Measures

Local policymakers are rightfully interested in ensuring that their communities are affordable places to live and that their tax codes do not place undue responsibilities on working families. Refundable tax credits are among the most powerful tools for achieving these goals at a reasonable cost and without handing tax breaks to wealthy individuals or businesses that can afford to pay more. Today, there are gaps in Maryland local governments' authority to offer these tax credits.

Affordability Option 1: Expand "Circuit Breaker" Tax Credit Authority

♦ TOP RECOMMENDATION

So-called "circuit breaker" programs, such as the state homeowners and renters tax credits, provide targeted help to prevent working families from bearing excessive property tax responsibilities. These programs are an excellent way to raise the revenue needed to fund public services while protecting families who truly need help.

Circuit breakers have the following advantageous design elements:

- They limit property taxes to a certain percentage of an eligible payer's income – analogous to literal circuit breaker, they kick in when property taxes are too high a share of income. The state homeowners credit limits property taxes to 0% of the first $8,000 of an eligible homeowner's income, with a bracket structure gradually increasing the threshold to 9% of income exceeding $16,000.
- Eligibility is income-limited and often asset-limited, preventing costly tax breaks from going to wealthy individuals who can afford to pay more. For example, the state's homeowners credit is available to homeowners with annual income up to $60,000 and net worth (including but not limited to paid-off home equity) under $200,000. A lower limit reduces costs and targets help to those who need it most; a higher limit allows more families to benefit.

State law allows counties to create homeowners circuit breakers. Lawmakers should expand this authority in two ways:

- Authorize local renters credits. Renters pay indirect property taxes in the form of higher rent. They typically also have lower incomes than homeowners, are more likely to be people of color, and are more likely to face unaffordable housing costs. The state's modest renters credit addresses this reality, and local governments should be able to do the same.
- Authorize municipal circuit breakers. There is no reason why municipalities should have fewer tools at their disposal for providing targeted help to struggling families facing high property tax responsibilities. The state should authorize municipalities to create both homeowners and renters credits.

Affordability Option 2: Expand Refundable Tax Credit Authority (Municipalities)

♦ TOP RECOMMENDATION

Working family tax breaks like the Earned Income Tax Credit and the Child Tax Credit are powerful tools for boosting struggling families' incomes and are especially valuable as a way to offset other revenue policies that place disproportionate responsibilities on those with the least ability to pay.

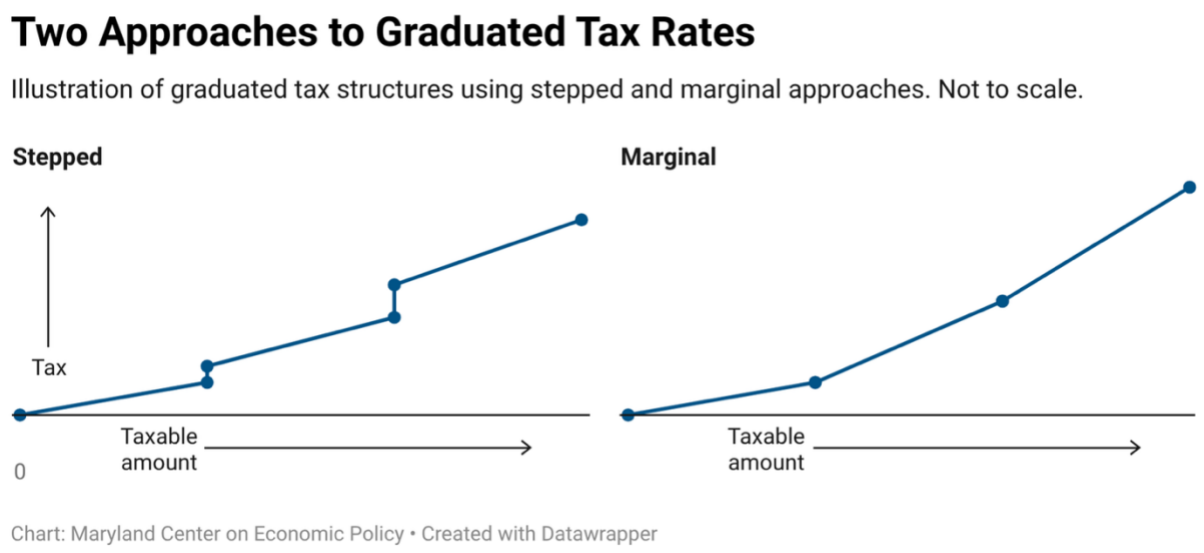
State law enables counties to create local matches of the state credits, but municipalities do not have this authority. Authorizing municipalities to offer working family tax credits would give them a powerful tool to boost economic opportunity, and is especially important if municipalities increase their reliance on less-equitable revenue sources.

While working family tax credits would be a natural complement to general income taxing authority (Income Tax Reform Option 2), lawmakers could also authorize refundable credits without granting broader taxing authority.

Appendix A: Two Approaches to Graduated Tax Rates

Graduated tax rates refer to rates that vary with the taxable amount – such as a household's income or the assessed value or sale price of a piece of real estate. There are two possible ways to structure graduated tax rates:

- **Stepped:** Each bracket's tax rate is applied to the full taxable amount, resulting in discontinuous "step" increases in tax responsibility at bracket boundaries.
- **Marginal:** Each bracket's tax rate is applied only to the excess of the taxable amount over the bracket's lower boundary. This is the approach used to calculate income taxes.



For illustration, consider a simple graduated tax structure:

Table A-1. Illustrative Graduated Tax Rate Structure	
Taxable Amount	**Tax Rate**
$1 to $1 million	1%
More than $1 million	2%

Table A-2 illustrates tax the calculation of tax responsibilities under each approach.

Table A-2. Sample Graduated Tax Calculations under Stepped and Marginal Basis		
Taxable Amount	**Stepped Basis**	**Marginal Basis**
$900,000	1% × $900,000 = $9,000	1% × $900,000 = $9,000
$1,100,000	2% × $1,100,000 = $22,000	1% × $1,000,000 + 2% × $100,000 = $12,000
$2,000,000	2% × $2,000,000 = $40,000	1% × $1,000,000 + 2% × $1,000,000 = $30,000

Economically, the marginal approach is superior because it cannot create "cliffs" near bracket boundaries. Under this approach, a small change in the taxable amount always results in a small change in tax responsibility. Depending on the difference in tax rate between adjacent brackets, the stepped approach can translate a small change in taxable amount into a large change in the tax bill. In the above example, increasing the taxable amount from $999,900 to $1,000,000 increases the tax responsibility by $1, from $9,999 to $10,000; But increasing the taxable amount by another $100 increases the tax responsibility by $10,002, from $10,000 to $20,002. This could cause undesired consequences, such as changing real estate prices for the purpose of tax avoidance, or an increase in property assessment appeals.

As the above example shows, holding tax rates constant, the marginal approach raises less revenue. In other words, to raise the same amount of revenue, the marginal approach requires higher rates.

The marginal approach can bring greater equity benefits, because the effective tax rate – tax responsibility divided by taxable amount – increases consistently, including beyond the top bracket boundary (see Figure X). In other words, the marginal approach raises a larger share of revenue from payers with the highest taxable amount, whether that be household income, property value, or something else.

The stepped approach is simpler, since the tax responsibility is always equal to the applicable tax rate times the full taxable amount rather than the multistep calculation required for the marginal approach. Mathematically and computationally, this added complexity is trivial, but it may require programming expenses or even IT upgrades to implement. The stepped approach is likely easier to communicate to the public, as survey evidence shows that many people misunderstand marginal tax rates.[xxxiii] Finally, in some cases, the stepped approach *may* pose fewer legal difficulties than the marginal approach.

In light of economic advantages of the marginal approach, lawmakers should give local policymakers flexibility to use this approach if they choose.

Appendix B. Current Local Revenue Options

Local policymakers can take steps to raise needed revenue today, though the available options vary by jurisdiction. They should not dismiss these options when faced with fiscal challenges.

Income Tax (Counties)

- For the 2026 tax year, all but two of Maryland's counties have income tax rates below the statewide 3.3% limit, including eight with maximum rates below the state's previous 3.2% cap. Income taxes are the most equitable source of local revenue, and should be the first place policymakers look to address fiscal challenges. Broad-based rate increases have the greatest revenue potential, while increasing rates only on wealthy individuals would raise meaningful revenue while avoiding increasing responsibilities for working families.

Property Tax

- **Property tax rates**: State law grants counties and municipalities broad authority to set property tax rates at the level needed to meet their communities' needs. Even counties with self-imposed property tax limits may exceed these limits if necessary to meet their funding responsibilities for public schools and teacher retirement.

- **Property tax limitations:** Five Maryland counties and 50 municipalities had self-imposed property tax limitations in place as of 2022. These rigid restrictions can force budget cuts, increase borrowing costs, and undermine economic growth. Jurisdictions with such limits should repeal them. Short of that, reforms such as more flexible caps or replacing absolute limits with supermajority requirements would reduce but not eliminate the associated harms.

- **Property tax assessment growth:** State law imposes a 10% cap on annual assessment growth for owner-occupied primary residences through the Homestead credit, and most local jurisdictions have set even lower growth caps. However well-intentioned, this policy disproportionately benefits wealthy homeowners, places greater tax responsibilities on first-time buyers and renters, and does not target tax breaks to those who truly need help. Adopting the 10% statewide Homestead cap would enable local governments to raise more revenue, more fairly, without increasing tax rates. At the county level, so-called "circuit breaker" homeowners tax credits are a better way to improve affordability for struggling families (see Section 7). Municipalities do not currently have authority to establish circuit breaker credits.

- **Property tax structure (municipalities):** Municipalities have broad authority under state law to define real property classes and subclasses, and to apply different tax rates to different types of property. Policymakers should consider their options for deriving new revenue from specific types of property. This could be properties with very high land values, data centers, or other types. Municipalities may have authority under current law to apply higher property tax rates to the most expensive single-family homes.

Transfer Tax (Counties)

- Based on FY 2023 tax rates, eight counties currently have legal authority to raise additional transfer tax revenue. This includes three counties have no statutory cap on

transfer tax rates and one county that is authorized to levy a transfer tax but does not do so. Of these eight counties, two currently apply a 1.50% tax rate, the highest rate currently in effect in the state, while the other five that levy a transfer tax apply rates ranging from 0.50% to 1.25%.

- Montgomery County likely has only limited authority to raise new transfer tax revenue. The county levies a range of tax rates and is subject to a range of rate caps depending on property type. Several tax rates are set below the applicable cap, but the broadest class of property sales are capped at the current 1.00% tax rate.

- Policymakers in counties with legal authority to do so should consider adjusting transfer tax as a tool to address fiscal challenges.

Table B-1. Counties with Authority to Raise New Transfer Tax Revenue

County	Type	Tax Rate	Cap
Baltimore City	Charter	1.50%	None
Baltimore	Charter	1.50%	None
Dorchester	Charter	0.75%	1.00%
Howard	Charter	1.25%	None
Montgomery	Charter	Varies	Varies
Talbot	Charter	1.00%	1.50%
Washington	Commission	0.50%	1.00%
Wicomico	Charter	0.00%	1.00%

- Nine charter and commission counties cannot currently raise additional transfer tax revenue – including five counties that already charge the maximum allowed rate and four without state authorization the levy a transfer tax. Policymakers in these counties should consider seeking additional authority, to ensure that they have the tools they need if fiscal challenges arise. In light of the customary deference state lawmakers often exercise on local matters, these efforts have a high chance of success. As the example of Wicomico County makes clear, seeking additional taxing authority would not obligate counties to adopt or increase transfer taxes right away – it would simply make the option available.

- All six of Maryland's code home rule counties currently charge the maximum allowed 0.5% tax rate. Under current law, these counties would have to switch to charter home rule in order to raise new transfer tax revenue.

- Cecil County is in a unique position, as the Department of Legislative Services has identified ambiguities in its transfer tax authority. Policymakers there should seek clarity, make such reforms as are necessary to resolve any ambiguity, and consider seeking or using authority to raise new transfer tax revenue if circumstances call for it.

Appendix C. Individual Jurisdiction Revenue Estimates

Table C-1. Municipal Revenue Estimates ($ Thousands)											
	Mansion Property Tax		Income Tax	Payroll Expense Tax			Sales Tax		General Transfer Tax	Mansion Transfer Tax	
Municipality	Stepped	Marginal		All Private Employers	20+ Employees	250+ Employees	Food & Beverage	General		Stepped	Marginal
Aberdeen	0	0	4,266	3,536	3,083	2,141	649	4,670	1,871	0	0
Accident	0	0	84						9	0	0
Annapolis	10,125	10,379	20,288	12,502	9,146	3,737	2,978	10,018	5,927	1,890	2,309
Barclay	0	0	43						29	0	0
Barnesville	5	0	137						15	0	0
Barton	0	0	74						6	0	0
Battery Park	1,348	1,553	0						150	105	125
Belair	5	1	4,040	5,305	4,391	3,087	1,301	6,349	865	0	0
Berlin	0	0	1,574	1,421	1,015	579	0	1,304	284	0	0
Berwyn Heights	6	2	962	222	130	92	0	201	192	0	0
Betterton	0	0	71						35	0	0
Bladensburg	0	0	1,046	391	325	205	119	582	187	0	0
Boonsboro	23	38	1,280	211	115	74	34	343	207	0	0
Bowie	1,002	546	23,047	8,572	7,111	5,223	1,899	7,598	5,908	411	139
Bowling Green-Roberts Place	0	0	208						0	0	0
Brentwood	0	0	690	75	54	3	0	99	104	0	0
Brookview	0	0	12						4	0	0
Brookeville	17	5	146						23	0	0
Brunswick	13	24	3,448	230	158	119	0	1,567	1,514	0	0
Burkittsville	0	0	65						14	0	0
Cambridge	12	6	2,249	1,807	1,439	1,002	0	2,515	1,023	0	0
Capitol Heights	0	0	929	648	514	102	469	2,292	141	0	0
Cecilton	0	0	154						28	0	0
Centreville	15	14	1,797	516	390	175	0	532	367	0	0
Charlestown	5	0	651						125	0	0
Chesapeake Beach	30	15	2,972	135	98	12	215	577	406	11	3
Chesapeake City	7	5	220						122	0	0
Chestertown	76	62	1,634	927	738	504	0	809	387	23	7
Cheverly	0	0	2,230	1,705	1,181	632	0	1,447	531	0	0
Chevy Chase	8,937	11,870	5,990	49	26	17			637	577	760
Chevy Chase - Section 3	2,241	2,838	1,637						262	196	181
Chevy Chase - Section 5	1,894	2,396	1,791						210	210	274

Table C-1. Municipal Revenue Estimates ($ Thousands)											
	Mansion Property Tax			Payroll Expense Tax			Sales Tax			Mansion Transfer Tax	
Municipality	Stepped	Marginal	Income Tax	All Private Employers	20+ Employees	250+ Employees	Food & Beverage	General	General Transfer Tax	Stepped	Marginal
Chevy Chase View	2,263	2,605	2,060						177	159	162
Chevy Chase Village	8,155	13,921	8,270						850	850	1,512
Church Creek	0	0	26						2	0	0
Church Hill	0	0	245						45	0	0
Clearspring	0	0	83						15	0	0
College Park	68	40	5,173	3,630	2,907	1,587	834	4,735	1,712	10	1
Colmar Manor	0	0	271						38	0	0
Cottage City	0	0	253						57	0	0
Cresaptown	0	0	294						0	0	0
Crisfield	0	0	273						115	0	0
Cumberland	0	0	3,178	3,989	3,108	2,092	573	2,901	421	0	0
Deer Park	0	0	60						1	0	0
Delmar	0	0	811	151	103	52	21	489	101	0	0
Denton	5	1	1,107	466	384	148	183	1,705	185	0	0
District Heights	0	0	1,213	59	22	21	38	152	98	0	0
Drummond	459	763	409						0	0	0
Eagle Harbor	0	0	14						8	0	0
East New Market	0	0	90						45	0	0
Easton	626	559	6,082	6,125	4,771	2,575	760	6,599	1,737	98	76
Edmonston	0	0	267						77	0	0
Eldorado	0	0	18						0	0	0
Elkton	0	0	2,985	2,932	2,457	1,845	604	6,074	2,030	0	0
Ellerslie	0	0	93						0	0	0
Emmitsburg	0	0	720	181	148	34	114	395	103	0	0
Fairmount Heights	0	0	264						83	0	0
Federalsburg	0	0	343	188	168	106	0	1,038	169	0	0
Forest Heights	0	0	518	118	90	55	309	653	101	0	0
Frederick	1,378	729	29,644	21,654	18,000	11,792	3,232	19,927	9,870	222	115
Friendship Heights	0	0	2,886						729	0	0
Friendsville	0	0	88						8	0	0
Frostburg	0	0	1,418	266	190	98	110	263	155	0	0
Fruitland	0	0	1,337	312	240	148	169	1,586	210	0	0
Funkstown	0	0	186						64	0	0
Gaithersburg	4,170	1,786	30,936	28,070	24,315	18,633	2,865	14,922	4,231	682	390

Table C-1. Municipal Revenue Estimates ($ Thousands)											
	Mansion Property Tax			Payroll Expense Tax			Sales Tax			Mansion Transfer Tax	
Municipality	Stepped	Marginal	Income Tax	All Private Employers	20+ Employees	250+ Employees	Food & Beverage	General	General Transfer Tax	Stepped	Marginal
Galena	0	0	143						42	0	0
Galestown	0	0	21						0	0	0
Garrett Park	882	517	1,183						107	66	43
Glen Echo	491	349	316						0	0	0
Glenarden	0	0	1,549	30	26	18	156	237	239	0	0
Goldsboro	0	0	35						13	0	0
Grantsville	0	0	206						22	0	0
Greenbelt	11	2	6,639	7,276	6,108	3,934	0	3,111	826	0	0
Greensboro	0	0	344						156	0	0
Hagerstown	40	59	7,583	10,223	8,313	5,183	1,629	13,184	2,092	0	0
Hampstead	10	1	2,175	353	266	101	177	1,874	397	0	0
Hancock	0	0	240						48	0	0
Havre de Grace	30	15	5,629	1,375	1,062	605	312	1,226	1,851	11	3
Hebron	0	0	238						33	0	0
Henderson	0	0	19						1	0	0
Highland Beach	43	25	58						15	0	0
Hillsboro	0	0	25						8	0	0
Hurlock	0	0	345						101	0	0
Hyattsville	152	37	6,783	2,008	1,662	1,220	736	4,267	1,076	0	0
Indian Head	0	0	1,019	107	81	52	18	90	169	0	0
Keedysville	0	0	422						61	0	0
Kensington	1,424	1,302	1,870	1,795	1,249	859	0	550	154	78	50
Kitzmiller	0	0	45						3	0	0
La Plata	6	2	4,075	2,373	1,937	1,321	0	3,922	1,765	16	15
Landover Hills	0	0	380						190	0	0
Laurel	31	2	8,858	5,934	4,694	3,226	0	4,173	2,035	64	122
LaVale	0	0	1,828						0	0	0
Laytonsville	484	281	563						17	11	3
Leonardtown	0	0	2,185	1,608	1,267	842	316	893	523	0	0
Loch Lynn Heights	0	0	66						23	0	0
Lonaconing	0	0	183						6	0	0
Luke	0	0	12						5	0	0
Manchester	6	2	1,928	188	84	14	25	484	278	0	0
Mardela Springs	0	0	76						18	0	0

Table C-1. Municipal Revenue Estimates ($ Thousands)											
	Mansion Property Tax		Income Tax	Payroll Expense Tax			Sales Tax		General Transfer Tax	Mansion Transfer Tax	
Municipality	Stepped	Marginal		All Private Employers	20+ Employees	250+ Employees	Food & Beverage	General		Stepped	Marginal
Martins Addition	2,752	3,442	1,630						329	320	413
Marydel	0	0	13						4	0	0
McCoole	0	0	52						0	0	0
Middletown	39	13	2,530	285	182	47	161	674	411	45	14
Midland	0	0	79						3	0	0
Millington	0	0	136						18	0	0
Morningside	0	0	252						70	0	0
Mountain Lake Park	0	0	425						49	0	0
Mt. Airy	0	0	5,041	1,441	1,091	409	579	2,905	708	0	0
Mt. Rainier	6	4	1,712	165	103	56	115	253	185	0	0
Mt. Savage	0	0	121						0	0	0
Myersville	0	0	786						150	11	2
New Carrollton	0	0	2,402	778	635	454	0	1,445	237	0	0
New Market	166	63	984						219	11	3
New Windsor	0	0	648						119	0	0
North Beach	49	28	749						153	0	0
North Brentwood	0	0	152						29	0	0
North Chevy Chase	1,045	930	618						34	34	37
North East	0	0	1,082	1,608	1,294	861	0	5,967	280	0	0
Oakland	0	0	450	1,095	815	460	177	2,734	86	0	0
Oakmont	252	200	138						50	31	29
Ocean City	1,955	1,725	3,555	2,751	1,945	505	3,041	4,697	6,179	366	319
Oxford	498	475	627						321	99	134
Perryville	0	0	1,273	89	66	58	77	1,190	183	0	0
Pittsville	0	0	291						76	0	0
Pocomoke City	0	0	732	357	270	145	144	2,163	240	0	0
Poolesville	1,267	486	3,611	236	122	40	0	293	404	103	37
Port Deposit	0	0	165						50	0	0
Port Tobacco	0	0	18						0	0	0
Potomac Park Addition	0	0	167						0	0	0
Preston	0	0	191						24	0	0
Princess Anne	0	0	426	294	205	175	0	303	113	0	0
Queen Anne	0	0	85						15	0	0
Queenstown	24	26	366						263	0	0

Table C-1. Municipal Revenue Estimates ($ Thousands)											
	Mansion Property Tax		Income Tax	Payroll Expense Tax			Sales Tax		General Transfer Tax	Mansion Transfer Tax	
Municipality	Stepped	Marginal		All Private Employers	20+ Employees	250+ Employees	Food & Beverage	General		Stepped	Marginal
Ridgely	0	0	395						117	0	0
Rising Sun	0	0	668	139	93	66	0	763	105	0	0
Riverdale Park	36	17	1,729	1,006	818	454	0	509	352	0	0
Rock Hall	17	5	326						182	26	17
Rockville	8,665	4,154	37,779	44,913	37,751	24,906	3,281	9,955	10,443	1,398	682
Rosemont	0	0	102						0	0	0
Salisbury	23	10	5,366	10,965	9,378	6,304	1,842	17,444	2,760	0	0
Seat Pleasant	0	0	722	248	185	144	296	976	156	0	0
Secretary	0	0	110						35	0	0
Sharpsburg	0	0	175						14	0	0
Sharptown	0	0	163						33	0	0
Smithsburg	0	0	908	18	11	1	0	0	93	0	0
Snow Hill	0	0	488						88	0	0
Somerset	4,293	6,685	2,480						370	370	605
St. Michaels	613	415	510						300	81	31
Sudlersville	0	0	109						18	0	0
Sykesville	0	0	2,369	968	684	428	0	114	355	0	0
Takoma Park	2,611	1,352	8,797	3,757	2,807	1,906	0	858	1,189	466	290
Taneytown	0	0	2,269	261	205	145	76	1,112	490	0	0
Templeville	0	0	6						0	0	0
Thurmont	0	0	1,933	348	298	221	187	1,890	570	0	0
Trappe	0	0	396						325	0	0
Union Bridge	0	0	206						39	0	0
University Park	156	47	1,841						203	0	0
Upper Marlboro	0	0	390	610	344	160	121	428	104	0	0
Vienna	0	0	99						25	0	0
Walkersville	90	16	2,580	351	271	206	0	435	341	14	10
Washington Grove	21	2	314						60	12	5
Westernport	0	0	248						25	0	0
Westminster	0	0	6,082	3,241	2,586	1,653	1,044	7,604	1,040	11	3
Willards	0	0	206						52	0	0
Williamsport	5	0	403						495	0	0
Woodsboro	0	0	431						115	0	0

Table C-2. County Revenue Estimates ($ Thousands)												
	Mansion Property Tax		Income Tax			Payroll Expense Tax			Sales Tax		Mansion Transfer Tax	
County	Stepped	Marginal	4.0%	4.5%	5.0%	All Private Employers	20+ Employees	250+ Employees	Food & Beverage	General	Stepped	Marginal
Allegany	31	17	12,790	19,382	25,975	7,312	5,773	4,060	1,307	10,777	14	11
Anne Arundel	81,592	86,315	328,895	471,979	615,064	165,218	138,493	95,063	18,343	80,877	10,479	12,181
Baltimore City	3,187	2,270	112,059	182,096	252,132	187,733	166,998	128,637	12,852	74,038	1,507	2,275
Baltimore	35,354	32,096	259,760	422,110	584,460	169,381	141,572	96,468	19,351	126,208	4,365	4,249
Calvert	2,540	1,394	40,951	61,426	81,901	6,570	4,506	2,453	1,982	7,601	288	187
Caroline	81	48	6,313	10,258	14,204	2,628	1,952	1,121	277	6,093	12	4
Carroll	3,219	1,363	74,903	113,512	152,122	20,433	14,985	8,665	3,312	21,431	559	354
Cecil	1,235	975	38,777	54,287	69,798	14,447	11,643	7,953	2,013	16,450	242	198
Charles	887	440	56,374	85,433	114,492	11,293	8,436	5,189	3,858	20,138	606	815
Dorchester	420	256	6,007	9,761	13,516	3,676	2,896	2,064	508	4,381	59	25
Frederick	9,171	4,174	120,378	183,356	246,334	43,755	35,018	22,324	6,220	61,004	1,152	583
Garrett	11,345	12,884	10,311	14,129	17,948	3,360	2,261	1,062	693	7,263	1,372	1,436
Harford	3,018	1,404	99,892	153,025	206,159	35,305	28,131	18,200	5,397	35,730	590	413
Howard	64,479	46,678	158,382	257,371	356,360	121,485	102,779	70,922	8,066	40,680	4,922	3,608
Kent	1,310	885	5,386	8,752	12,118	2,072	1,450	817	340	2,161	236	208
Montgomery	381,024	395,263	524,725	852,678	1,180,631	305,149	249,759	168,693	23,287	108,767	35,342	37,104
Prince George's	13,384	6,793	203,065	329,981	456,897	121,174	101,419	67,671	19,680	86,113	1,632	886
Queen Anne's	8,393	7,299	21,130	34,337	47,543	5,427	3,639	1,521	1,256	6,385	1,850	3,024
St. Mary's	1,631	872	44,524	66,785	89,047	19,497	15,542	10,234	2,413	13,522	177	103
Somerset	62	66	2,753	4,474	6,194	1,683	1,150	834	123	1,260	0	0
Talbot	13,234	15,133	31,230	40,989	50,748	7,798	5,513	2,705	1,097	6,016	1,960	2,641
Washington	824	463	44,186	65,227	86,268	27,064	22,454	15,979	2,872	23,013	22	6
Wicomico	226	124	19,895	32,329	44,763	15,298	12,518	8,124	2,245	22,840	72	34
Worcester	6,603	6,308	35,809	46,041	56,272	7,805	5,260	2,132	3,689	13,709	837	734

Notes

[i] MDCEP analysis of Department of Legislative Services FY 2024 *Local Government Finances*.
[ii] In this report, "public safety" includes fire, rescue, emergency medical services, policing, and miscellaneous public safety activities such as protective inspections and emergency management. Excludes prisons and jails.
[iii] MDCEP analysis of Department of Legislative Services *Local Government Finances*, FY 2010–2024, U.S. Bureau of Economic Analysis Implicit Price Deflator for State and Local Government, U.S. Census Bureau Population Estimates Program.
[iv] MDCEP analysis of Department of Legislative Services *Local Government Finances*, FY 2007–2024, U.S. Bureau of Economic Analysis Implicit Price Deflator for State and Local Government, U.S. Census Bureau Population Estimates Program. These numbers include county and municipal governments only, and exclude other local government entities such as public school systems.
[v] MDCEP analysis of U.S. Census Bureau Local Government Finances statistics, 2024. Includes both general and enterprise revenues.
[vi] Unpublished 2025 analysis by the Institute on Taxation and Economic Policy. For Maryland's pre-2025 state and local tax distribution, see "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States," Institute on Taxation and Economic Policy, 2024, https://itep.org/whopays-7th-edition/
[vii] Note: Baltimore City is treated as a county throughout this report.
[viii] MDCEP analysis of Department of Legislative Services FY 2024 *Local Government Finances*.
[ix] MDCEP analysis of U.S. Census Bureau Local Government Finances statistics, 2024.
[x] "Who Pays?" 2024
[xi] "A Report on Nationwide Property Tax Regressivity," The University of Chicago Harris School of Public Policy Center for Municipal Finance, 2024, https://s3.us-east-2.amazonaws.com/propertytaxdata.uchicago.edu/core_logic_nationwide.html#12_state_distributions
[xii] "Tax Authority & Tax and Expenditure Limits," National League of Cities, 2024, https://www.nlc.org/resource/tax-authority-tax-and-expenditure-limits/
[xiii] J. Joseph Curran, David Lyon, and Jack Schwartz, "Property Tax – Municipalities – Municipalities Have Authority to Establish Separate Classifications for Land and Improvements to Land," Maryland Office of the Attorney General, 1995, https://oag.maryland.gov/resources-info/Documents/pdfs/Opinions/1995/80oag316.pdf
[xiv] MDCEP analysis of U.S. Census Bureau Local Government Finances statistics, 2024.
[xv] Rita Jefferson, Nick Johnson, and Angelo Pis-Dudot, "Tax the Rich, Fund Out Communities: Local Options for Progressive Revenue," Institute on Taxation and Economic Policy, 2026, https://itep.org/tax-the-rich-fund-our-communities-local-options-for-progressive-revenue/
[xvi] Jefferson et al., 2026
[xvii] "Metropolitan Commuter Transportation Mobility Tax," New York State Department of Taxation and Finance, 2026, https://www.tax.ny.gov/bus/mctmt/
Employers are subject to the tax if their annual payroll exceeds $312,500, just under three times average annual earnings in the metropolitan area.
[xviii] MDCEP analysis of U.S. Census Bureau Population Estimates Program and 2023 Longitudinal Employer-Household Dynamics data.
[xix] MDCEP analysis of U.S. Census Bureau 2022 Economic Census and 2023 Longitudinal Employer-Household Dynamics data.
[xx] MDCEP analysis of U.S. Census Bureau Local Government Finances statistics, 2024.
[xxi] Justin Fiore, House Bill 594 written testimony (favorable with amendments), Maryland Municipal League, 2026, https://mgaleg.maryland.gov/cmte_testimony/2026/wam/1dwuG5p75awwreH_4M1BzmrGv0GKW8v_D.pdf
[xxii] "Who Pays?" 2024
[xxiii] MDCEP analysis of U.S. Census Bureau 2022 Economic Census. County total excludes $1.5 million from existing county tax in Ocean City.
[xxiv] MDCEP analysis of U.S. Census Bureau Local Government Finances statistics, 2024.
[xxv] Carl Davis and Eli Byerly-Duke, "How Is Adult-Use Cannabis Taxed by Your Local Government?" Institute on Taxation and Economic Policy, 2023, https://itep.org/local-government-cannabis-taxes-2023/
[xxvi] "Who Pays?" 2024
[xxvii] MDCEP analysis of U.S. Census Bureau Population Estimates Program and 2022 Economic Census.
[xxviii] MDCEP analysis of U.S. Census Bureau 2022 Economic Census.

[xxix] Department of Legislative Services 2022 Legislative Handbook Series Vol. VI, https://dls.maryland.gov/pubs/prod/RecurRpt/Handbook_Volume_6_MD_Local_Government.pdf
[xxx] MDCEP analysis of Maryland Department of Planning property transfer data, June 2025 to May 2026.
[xxxi] Stanford Ward, "Guide to Local Government Taxing Authority," Department of Legislative Services, 2026, https://dls.maryland.gov/pubs/prod/InterGovMatters/LocFinTaxRte/FinalGuidetoLocalGovernmentTaxingAuthority.pdf
[xxxii] MDCEP analysis of Maryland Department of Planning property transfer data, June 2025 to May 2026.
[xxxiii] See Casey Musarra, "SURVEY: Millennials & Men Are Most Likely to Be Overconfident About Their Tax Expertise," Credello, 2021, https://www.credello.com/financial-resources/consumer-insights/millennials-and-taxes-survey/#link3:~:text=About%2051%25%20of,which%20is%2012%25.