Factors Affecting Local Fiscal Capacity

Presentation to the
Task Force to Modernize County and Municipal Revenue Structures



October 30, 2026

Summary Points

- The type of property tax initiative imposed by a local government can impact both local revenues and the level of State funding provided under aid programs that incorporate a local wealth measure to allocate funding. This primarily affects State aid programs for public schools. Over 70% of State aid to local governments utilizes local wealth to allocate State funding.

Overall Impact on Baltimore City Finances

Tax Initiative	Local Revenues	Local Wealth Base	State Funding
Tax Exemptions	Decreases	Excluded	Positive
Tax Credits	Decreases	Included	Negative
PILOTs	Indeterminate	Excluded	Positive
TIF Districts	Neutral	Excluded	Positive

- Baltimore City is disproportionately impacted by the level of tax-exempt property within the city which reduces the amount of local property tax revenues collected by the city government. However, since tax-exempt property is excluded from the local wealth base which determines State funding for several major aid programs, the overall net impact on city finances is reduced.

Summary Points

- Baltimore City government has also approved around $100 million in annual property tax credits which not only reduces its fiscal capacity but also potentially reduces State funding under aid programs that incorporates a local wealth measure.

- Around 35% of Baltimore City's property tax credits ($35 million) are dedicated to the Targeted Homeowners Tax Credit which reduced the effective property tax rate in Baltimore City by $0.21 in FY 2027.

- While Baltimore City has the highest local property tax rate in the State ($2.248), the rate after considering the Targeted Homeowners Tax Credit Program is similar to the combined county-municipal property tax rate in many municipalities.

Summary Points

- Baltimore City and most county governments have not utilized the expanded income tax authority enacted in 2025. The potential revenue yield by imposing the maximum local income tax rates could total around $500 million statewide, which is equivalent to the revenues generated by a 0.5% increase in the State sales tax rate.

- Enabling additional counties to impose sales taxes on energy sources and telephones could generate a significant increase in local revenues.

Appendix

- Property Tax Exemptions
- Property Tax Credits
- Payments in Lieu of Taxes (PILOTs)
- Tax Increment Financing (TIF) Districts
- County Property Tax Rates
- Income Tax Collections
- Local Sales and Service Taxes

Impact of Tax Exemptions on Local Property Tax Base

- Property tax exemptions reduce both property tax collections and the local wealth measure used to allocate State funding in various aid programs.

- The assessed value of exempt real property totaled approximately $131.5 billion in FY 2026.

Tax Exempt Real Property in FY 2026

($ in Millions)

County	Federal	State	County/ Municipal	Educational	Religious	Charitable/ Fraternal	Individual	Total
Allegany	$96.1	$287.2	$188.5	$572.2	$103.5	$298.4	$55.3	$1,601.2
Anne Arundel	1,507.3	1,401.6	1,308.1	2,330.0	824.6	934.0	3,117.4	11,423.0
Baltimore City	612.5	2,751.9	3,705.8	6,151.1	1,456.1	4,129.6	431.6	19,238.6
Baltimore	627.9	1,132.7	1,472.6	4,462.6	1,682.5	1,132.3	1,032.7	11,543.2
Calvert	76.6	113.1	295.2	509.0	172.6	127.2	679.1	1,972.8
Caroline	14.4	70.0	62.1	136.0	53.3	44.0	49.9	429.8
Carroll	13.6	238.9	584.2	893.1	352.9	297.2	450.5	2,830.5
Cecil	124.1	170.9	204.8	364.2	140.5	133.0	283.0	1,420.6
Charles	947.7	178.5	263.1	704.3	212.2	120.5	1,928.5	4,354.9
Dorchester	69.5	205.3	97.5	126.1	71.6	45.2	64.2	679.4
Frederick	367.9	132.4	1,086.6	1,646.1	639.9	610.6	971.8	5,455.3
Garrett	5.4	194.2	164.7	166.0	98.7	43.8	40.5	713.3
Harford	892.6	146.2	448.5	1,061.7	341.8	387.4	919.6	4,197.8
Howard	35.1	526.1	1,145.8	2,131.8	671.6	500.9	994.6	6,005.8
Kent	10.8	25.3	72.9	125.8	37.5	67.5	31.5	371.3
Montgomery	3,405.2	1,471.1	9,054.1	7,650.3	3,605.9	2,018.0	1,943.6	29,148.2
Prince George's	2,874.6	1,146.3	2,361.8	3,602.4	2,054.2	1,199.6	4,861.5	18,100.5
Queen Anne's	4.0	180.9	319.3	306.5	99.6	110.2	184.9	1,205.4
St. Mary's	1,156.6	200.4	379.2	486.4	150.0	51.1	856.4	3,280.2
Somerset	3.0	188.6	53.8	156.8	36.9	44.7	31.4	515.1
Talbot	22.5	31.0	222.7	145.1	109.2	167.4	100.6	798.5
Washington	76.4	283.9	461.3	836.8	421.1	617.5	290.0	2,986.9
Wicomico	5.1	149.5	305.4	843.7	160.9	342.9	149.8	1,957.2
Worcester	98.6	113.3	462.9	229.3	115.8	112.0	109.7	1,241.6
Total	**$13,047.6**	**$11,339.0**	**$24,720.7**	**$35,637.6**	**$13,612.9**	**$13,535.1**	**$19,578.1**	**$131,471.1**

Comparison of Tax Exempt Real Property in FY 2026 Per Capita Basis and Percent of Total Property Base

	$ in Millions			
County	Taxable Property Base	Tax Exempt Property	Total Property Base	Percent Tax Exempt
Allegany	$4,567	$1,601	$6,168	26.0%
Anne Arundel	114,226	11,423	125,649	9.1%
Baltimore City	52,023	19,239	71,262	27.0%
Baltimore	110,449	11,543	121,992	9.5%
Calvert	15,027	1,973	17,000	11.6%
Caroline	3,604	430	4,034	10.7%
Carroll	26,551	2,830	29,381	9.6%
Cecil	13,852	1,421	15,272	9.3%
Charles	26,211	4,355	30,566	14.2%
Dorchester	3,863	679	4,542	15.0%
Frederick	49,515	5,455	54,971	9.9%
Garrett	6,951	713	7,665	9.3%
Harford	36,275	4,198	40,472	10.4%
Howard	69,789	6,006	75,795	7.9%
Kent	3,564	371	3,936	9.4%
Montgomery	244,124	29,148	273,272	10.7%
Prince George's	136,519	18,100	154,619	11.7%
Queen Anne's	11,556	1,205	12,761	9.4%
St. Mary's	16,352	3,280	19,632	16.7%
Somerset	1,912	515	2,427	21.2%
Talbot	10,556	798	11,355	7.0%
Washington	18,408	2,987	21,395	14.0%
Wicomico	9,114	1,957	11,071	17.7%
Worcester	22,550	1,242	23,791	5.2%
Total	**$1,007,557**	**$131,471**	**$1,139,028**	**11.5%**

Tax Exempt Property Per Capita Basis

1.	Baltimore City	$33,752
2.	St. Mary's	28,110
3.	Montgomery	27,125
4.	Garrett	25,144
5.	Charles	24,661
6.	Allegany	23,952
7.	Worcester	22,798
8.	Queen Anne's	22,139
9.	Talbot	20,882
10.	Calvert	20,880
11.	Somerset	20,626
12.	Dorchester	20,203
13.	Kent	18,979
14.	Washington	18,937
15.	Anne Arundel	18,932
16.	Prince George's	18,653
17.	Wicomico	18,309
18.	Frederick	18,011
19.	Howard	17,707
20.	Carroll	16,020
21.	Harford	15,755
22.	Baltimore	13,618
23.	Cecil	13,260
24.	Caroline	12,599
	Statewide	**$20,984**

Tax Exempt Property Percent of Total Base

1.	Baltimore City	27.0%
2.	Allegany	26.0%
3.	Somerset	21.2%
4.	Wicomico	17.7%
5.	St. Mary's	16.7%
6.	Dorchester	15.0%
7.	Charles	14.2%
8.	Washington	14.0%
9.	Prince George's	11.7%
10.	Calvert	11.6%
11.	Montgomery	10.7%
12.	Caroline	10.7%
13.	Harford	10.4%
14.	Frederick	9.9%
15.	Carroll	9.6%
16.	Baltimore	9.5%
17.	Queen Anne's	9.4%
18.	Kent	9.4%
19.	Garrett	9.3%
20.	Cecil	9.3%
21.	Anne Arundel	9.1%
22.	Howard	7.9%
23.	Talbot	7.0%
24.	Worcester	5.2%
	Statewide	**11.5%**

Impact of Property Tax Exemptions on Local Revenues

- The corresponding local revenue loss from the tax exemptions (excluding exempt county and municipal property) totaled $1.3 billion statewide.

- The highest revenue loss occurred in Baltimore City, Montgomery County, and Prince George's County, with the combined revenue loss in these jurisdictions accounting for almost 60% of the total revenue loss statewide.

Revenue Impact of Tax Exempt Real Property in FY 2026
Per Capita Basis and Property Tax Rate Equivalent

$ in Millions

County	Real Property Tax Rate	Tax Exempt Property	Estimated Revenue Loss	Per Capita Revenue Loss
Allegany	$0.9750	$1,413	$14	$206
Anne Arundel	0.9770	10,115	99	164
Baltimore City	2.2480	15,533	349	613
Baltimore	1.1000	10,071	111	131
Calvert	0.9670	1,678	16	172
Caroline	0.9800	368	4	106
Carroll	1.0180	2,246	23	129
Cecil	0.9824	1,216	12	111
Charles	1.2050	4,092	49	279
Dorchester	1.0300	582	6	178
Frederick	1.1100	4,369	48	160
Garrett	1.0200	549	6	197
Harford	0.9779	3,749	37	138
Howard	1.2500	4,860	61	179
Kent	1.0220	298	3	156
Montgomery	1.0392	20,094	209	194
Prince George's	1.3740	15,739	216	223
Queen Anne's	0.8300	886	7	135
St. Mary's	0.8478	2,901	25	211
Somerset	1.0000	461	5	185
Talbot	0.8032	576	5	121
Washington	0.9280	2,526	23	149
Wicomico	0.8099	1,652	13	125
Worcester	0.8150	779	6	117
Total		**$106,750**	**$1,346**	**$215**

Estimated Revenue Loss
Per Capita Basis

1.	Baltimore City	$613
2.	Charles	279
3.	Prince George's	223
4.	St. Mary's	211
5.	Allegany	206
6.	Garrett	197
7.	Montgomery	194
8.	Somerset	185
9.	Howard	179
10.	Dorchester	178
11.	Calvert	172
12.	Anne Arundel	164
13.	Frederick	160
14.	Kent	156
15.	Washington	149
16.	Harford	138
17.	Queen Anne's	135
18.	Baltimore	131
19.	Carroll	129
20.	Wicomico	125
21.	Talbot	121
22.	Worcester	117
23.	Cecil	111
24.	Caroline	106
	Statewide	**$215**

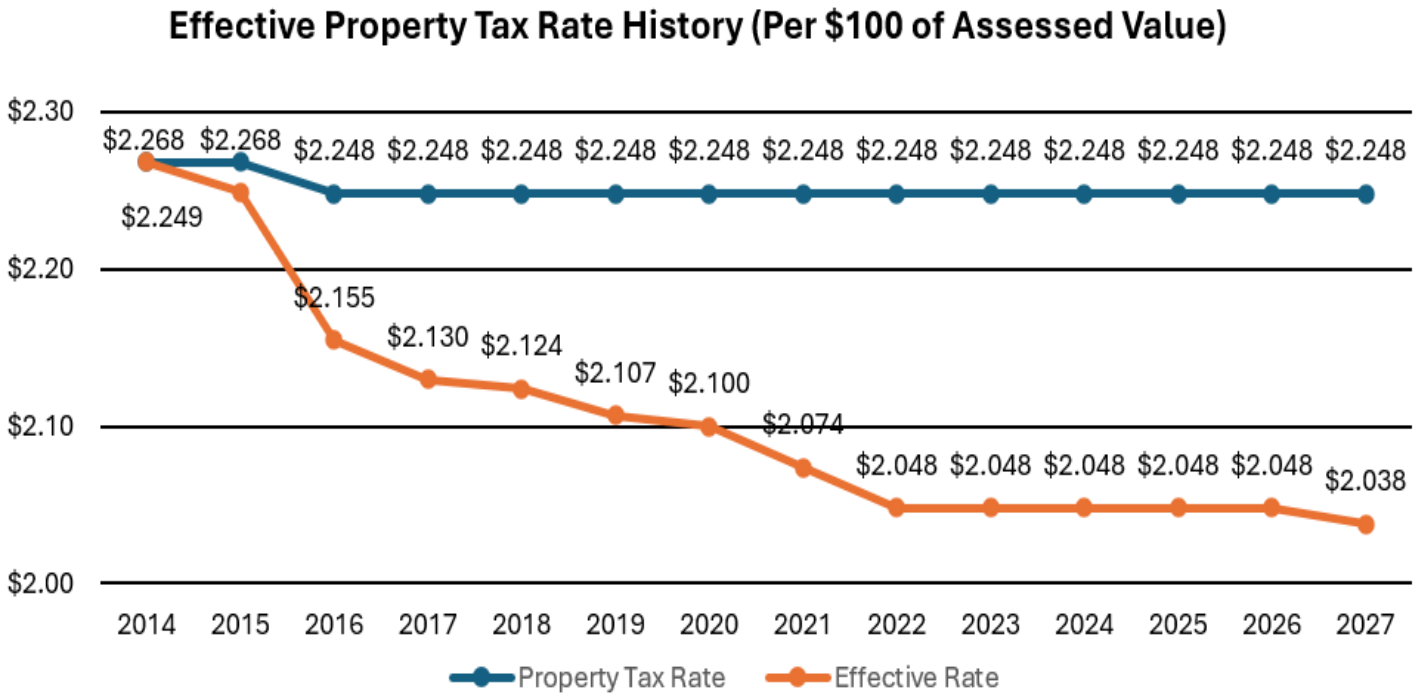
Estimated Revenue Loss
Tax Rate Equivalent

1.	Baltimore City	$0.6712
2.	Allegany	0.3016
3.	Somerset	0.2413
4.	Charles	0.1881
5.	Prince George's	0.1584
6.	Dorchester	0.1552
7.	St. Mary's	0.1504
8.	Wicomico	0.1468
9.	Washington	0.1273
10.	Calvert	0.1080
11.	Harford	0.1011
12.	Baltimore	0.1003
13.	Caroline	0.1000
14.	Frederick	0.0979
15.	Howard	0.0870
16.	Anne Arundel	0.0865
17.	Cecil	0.0862
18.	Carroll	0.0861
19.	Kent	0.0856
20.	Montgomery	0.0855
21.	Garrett	0.0805
22.	Queen Anne's	0.0637
23.	Talbot	0.0438
24.	Worcester	0.0281
	Statewide	**$0.1336**

Targeted Homeowners Tax Credit – Baltimore City

- The Targeted Homeowners Tax Credit (THTC) is a Baltimore City initiative introduced in 2012 to reduce the overall property tax burden on eligible owner-occupied residential properties.
  - THTC is automatically applied to properties that have applied and are approved for the Homestead Property Tax Credit.
  - THTC is an annual credit that is computed on the *improvement* assessed value of a property.
  - THTC continues indefinitely while eligibility conditions are satisfied and does not reset following the sale or transfer of a property.
- In FY 2027, THTC increased from $0.20 to $0.21 creating an effective property tax rate of $2.038 per $100 of assessment value.

Effective Property Tax Rate History
Baltimore City



Source: Baltimore City Board of Estimates FY 2027 Executive Summary; Department of Legislative Services

Fiscal Impact of THTC

- The THTC is funded through a combination of City general funds and Horseshoe Casino lease revenue.
- In FY 2024, THTC costs were $24.0 million, of which $12.6 million was funded by Horseshoe Casino revenue.
- In FY 2027, Baltimore City estimates THTC will save the average homeowner more than $448 annually (approximately 74,400 homeowners).
- Since the THTC applies only to owner-occupied residential housing, the relative tax burden on commercial, industrial, and nonowner-occupied properties may increase if factors remain unchanged.
- The rate reduction provides proportionally similar relief across eligible assessed values, although the absolute dollar value of the benefit is generally greater for higher-value properties.

Other Property Tax Credits
Baltimore City

- In FY 2027, Baltimore City is projected to provide $98.9 million in property tax credits, excluding the Homestead Property Tax Credit.

($ in Millions)

	Avg-Cost	Actual Amount				Budget Estimate	Budget Amount
Tax Credits	**FY 17-21**	**FY 22**	**FY23**	**FY 24**	**FY 25**	**FY 26**	**FY 27**
Real Property Tax	**$872.9**	**$922.4**	**$933.3**	**$992.2**	**$1,041.2**	**$1,100.8**	**$1,160.5**
Targeted Homeowners	(30.3)	(25.9)	(25.5)	(24.0)	(26.9)	(31.8)	(35.0)
Enterprise Zone Tax Credit	(20.7)	(16.9)	(15.0)	(15.4)	(15.1)	(14.2)	(14.0)
Historic Property	(10.2)	(12.1)	(12.0)	(12.3)	(11.3)	(10.8)	(9.9)
Brownfield and Other	(17.1)	(20.8)	(18.5)	(21.5)	(27.1)	(24.4)	(21.5)
Supplemental Homeowner's	(1.0)	(1.3)	(1.3)	(1.1)	(1.0)	(1.0)	(1.2)
High-Performance Market-Rate Rental Housing	(8.8)	(17.3)	(16.9)	(17.5)	(16.2)	(15.1)	(15.9)
Newly Constructed Dwellings	(1.9)	(1.1)	(0.9)	(0.8)	(0.8)	(0.7)	(0.7)
Public Safety Officer	(0.4)	(0.7)	(0.7)	(0.7)	(0.6)	(0.6)	(0.7)
Total Tax Credits	**($90.4)**	**($96.1)**	**($90.8)**	**($93.4)**	**($99.0)**	**($98.6)**	**($98.9)**

Source: Baltimore City Board of Estimates Executive Summary and Adopted Budget (FY 27); Department of Legislative Services

Other Property Tax Credits
Baltimore City

- Between FY 2022 and FY 2027, tax credit costs increased by $2.8 million, or approximately 2.9%.

- Following a decline in FY 2023, tax credit costs increased through FY 2025 and have since remained relatively stable at around $99 million.

- Tax credit costs decline from approximately 10.4% of real property tax revenues in FY 2022 to 8.5% in FY 2027.

- This indicates that tax credits are taking up a smaller proportion of the property tax revenue base as real property values in the City have grown over the same period.

Payment in Lieu of Taxes (PILOTs)
Baltimore City

($ in Millions)

	Avg-Cost	Actual Amount				Budget Estimate	Budget Amount
PILOTs	**FY 17-21**	**FY 22**	**FY 23**	**FY 24**	**FY 25**	**FY 26**	**FY 27**
060 - Housing Authority	$0.35	$0.04	$0.03	$0.11	$0.25	$0.25	$0.25
062 - Urban Renewal	0.18	0.39	0.05	0.13	0.04	0.05	0.05
063 - Off-Street Parking Properties	0.81	0.32	0.28	0.07	0.09	0.03	0.07
064 - Maryland Port and Stadium Authorities	1.87	1.82	0.23	0.80	3.73	1.45	1.45
065 - Apartments	4.55	5.06	5.06	5.33	8.53	5.90	5.20
067 - Economic Development	2.55	3.49	1.61	1.60	1.13	0.40	0.60
068 - Annual Nonprofit Contributions	5.75	5.20	6.04	6.00	6.00	6.00	6.00
PILOTs Total	**$16.05**	**$16.32**	**$13.29**	**$14.05**	**$19.77**	**$14.08**	**$13.62**

PILOTs: Payment in Lieu of Taxes

Source: Baltimore City Board of Estimates Executive Summary and Adopted Budget (FY19-FY27); Department of Legislative Services

Fiscal Impact of PILOTs
Baltimore City

- Under a PILOT agreement, a governmental entity and a property owner contract that, for a defined period of time, the owner will make payments according to an agreed-upon schedule instead of paying the full property tax amount that would otherwise be owed.
- Baltimore City recorded its highest PILOT revenues of $19.8 million in FY 2025, due in part to $8.5 million in revenue from apartment properties.
- Following the FY 2025 peak, total PILOT revenue decreased to $14.1 million in FY 2026 and an estimated $13.6 million in FY 2027, a 31.3% decrease between FY 2025 and FY 2027.
- Revenues from nonprofit contributions are projected at $6.0 million in FY 2027, consistent with FY 2026, then will increase by $2.0 million annually, reaching $12.0 million by FY 2030, for a total of $48 million over five years.
- In October 2025, the City approved a new PILOT agreement covering FY 2027-2031, which includes 14 nonprofit organizations (primarily private hospitals and universities) that are otherwise exempt from property taxes.

Tax Increment Financing Districts

- All counties and municipalities in Maryland are authorized to utilize tax increment financing (TIF) under Title 12, Subtitle 2 of the Economic Development Article (the Tax Increment Financing Act).
  - In Baltimore City, the authority to use TIF is provided in the city charter.

- TIF is a public financing method that uses future gains in tax revenues to finance current improvements.

- The increase in the property tax revenue generated by new commercial development in a specific area, the TIF district, pays for bonds issued to finance site improvements, infrastructure, and other project costs located on public property.

- According to data provided by the State Department of Assessments and Taxation, there are currently 44 TIF districts in nine jurisdictions – Baltimore City and Anne Arundel, Baltimore, Frederick, Harford, Howard, Prince George's, Queen Anne's, and Wicomico counties.

- Several of these districts are within municipalities.

- The incremental value of the property tax base in a TIF district is excluded from the local wealth calculation for State aid programs if the TIF district is located within a disparity grant jurisdiction. This currently affects TIF districts in both Baltimore City and Prince George's County. This exclusion does not apply to TIF districts established by municipalities.

Local Property Tax Rates - FY 2027

Actual County Rate			Combined County-Municipal Rate			Difference		
Rank	County	Tax Rate	Rank	County	Tax Rate	Rank	County	Tax Rate
1	Baltimore City	$2.2480	1	Baltimore City	$2.2480	1	Wicomico	$0.4295
2	Prince George's	1.3740	2	Prince George's	1.4876	2	Dorchester	0.3422
3	Howard	1.2500	3	Dorchester	1.3722	3	Allegany	0.3354
4	Charles	1.2050	4	Frederick	1.3285	4	Washington	0.2827
5	Frederick	1.1100	5	Allegany	1.3104	5	Worcester	0.2500
6	Baltimore	1.1000	6	Howard	1.2500	6	Somerset	0.2390
7	Montgomery	1.0401	7	Somerset	1.2390	7	Caroline	0.2277
8	Dorchester	1.0300	8	Charles	1.2284	8	Frederick	0.2185
9	Kent	1.0220	9	Washington	1.2107	9	Talbot	0.1952
10	Carroll	1.0180	10	Wicomico	1.2094	10	Kent	0.1707
11	Garrett	1.0000	11	Kent	1.1927	11	Cecil	0.1596
12	Somerset	1.0000	12	Caroline	1.1877	12	Carroll	0.1168
13	Harford	0.9779	13	Carroll	1.1348	13	Prince George's	0.1136
14	Allegany	0.9750	14	Cecil	1.1320	14	Garrett	0.0790
15	Cecil	0.9724	15	Baltimore	1.1000	15	Harford	0.0689
16	Anne Arundel	0.9680	16	Garrett	1.0790	16	Queen Anne's	0.0471
17	Calvert	0.9670	17	Montgomery	1.0706	17	Montgomery	0.0305
18	Caroline	0.9600	18	Worcester	1.0650	18	Anne Arundel	0.0234
19	Washington	0.9280	19	Harford	1.0468	19	Charles	0.0234
20	St. Mary's	0.8478	20	Talbot	1.0132	20	St. Mary's	0.0052
21	Talbot	0.8180	21	Anne Arundel	0.9914	21	Baltimore City	0.0000
22	Worcester	0.8150	22	Calvert	0.9655	22	Baltimore	0.0000
23	Queen Anne's	0.8000	23	St. Mary's	0.8530	23	Howard	0.0000
24	Wicomico	0.7799	24	Queen Anne's	0.8471	24	Calvert	-0.0015

Source: Department of Legislative Services

Combined County-Municipal Property Tax Rates

- Municipal residents comprise approximately 16% of the State's population.
- Twelve counties have at least 25% of residents within municipalities.
- Most counties provide tax differentials and rebates to compensate municipalities for providing services in lieu of similar county services and programs.
- These payments vary by jurisdiction and do not fully offset the effect of double taxation in municipalities.
- Several municipalities have combined county-municipal property tax rates that reach the level in Baltimore City.

Combined County and Municipal Real Property Tax Rates
20 Largest Municipalities – Ranked by Total FY 2027 Tax Rate

Rank	Municipality	County	Population July 2025	County Rate	Municipal Rate	County Special Rate	Total Rate
1.	Greenbelt	Prince George's	24,948	$0.8750	$0.8275	$0.2100	$1.9125
2.	Hyattsville	Prince George's	21,158	0.8840	0.6300	0.3740	1.8880
3.	Cumberland	Allegany	18,799	0.8195	1.0595	0.0000	1.8790
4.	Hagerstown	Washington	44,228	0.8030	1.0570	0.0000	1.8600
5.	Salisbury	Wicomico	33,845	0.7799	1.0332	0.0000	1.8131
6.	New Carrollton	Prince George's	13,644	0.8860	0.5263	0.3740	1.7863
7.	Bowie	Prince George's	58,383	0.8780	0.5800	0.3200	1.7780
8.	Cambridge	Dorchester	13,457	0.9567	0.8000	0.0000	1.7567
9.	Laurel	Prince George's	30,254	0.8670	0.7100	0.1600	1.7370
10.	Frederick	Frederick	92,059	1.0125	0.7055	0.0000	1.7180
11.	College Park	Prince George's	35,418	0.9680	0.3350	0.3740	1.6770
12.	Elkton	Cecil	16,670	0.9724	0.6356	0.0000	1.6080
13.	Takoma Park	Montgomery	17,260	0.7176	0.5422	0.3225	1.5823
14.	Westminster	Carroll	20,589	1.0180	0.5600	0.0000	1.5780
15.	Havre de Grace	Harford	15,630	0.8413	0.5650	0.0000	1.4063
16.	Aberdeen	Harford	18,374	0.8413	0.5400	0.0000	1.3813
17.	Annapolis	Anne Arundel	40,634	0.5770	0.7380	0.0000	1.3150
18.	Rockville	Montgomery	67,563	0.7176	0.2920	0.2034	1.2130
19.	Easton	Talbot	17,293	0.6850	0.5200	0.0000	1.2050
20.	Gaithersburg	Montgomery	71,113	0.7176	0.2620	0.2034	1.1830
		Baltimore City	569,997	$2.2480			$2.2480

Source: State Department of Assessments and Taxation; U.S. Census Bureau; Department of Legislative Services

Income Tax Collections in Maryland Local Jurisdictions

- The local income tax is the third largest revenue source for county governments, accounting on average for 19.0% of total revenue.

- Maryland is one of the few states in the nation that allow local governments to impose a local income tax.

- Local governments are authorized to set a local income tax rate of at least 2.25%, but not more than 3.3%.

Only a Few Counties Impose the Maximum Local Income Tax Rate

- Currently, two jurisdictions on the Eastern Shore (Dorchester and Kent counties) impose the maximum local income tax rate.
- Eleven jurisdictions (Baltimore City and Allegany, Baltimore, Calvert, Caroline, Howard, Prince George's, Queen Anne's, St. Mary's, Somerset, and Wicomico counties) impose a 3.2% local income tax rate.
- In addition, Anne Arundel and Frederick counties impose graduated income tax rates with a 3.2% tax rate on high income earners.
- Effective January 1, 2027, Montgomery County will impose graduated income tax rates with a 3.3% tax rate on high income earners.
- Approximately 84% of the State's population currently resides in a jurisdiction with at least a 3.2% local income tax rate.

Potential Increase in Local Income Tax Revenues Based on FY 2027 Budgeted Amounts

County	Population July 2025	FY 2027 County Income Tax Revenues	CY 2027 County Income Tax Rate	Revenue Yield from Each 0.1% Rate Increase			Imposing 3.3% Rate		
				Potential Rate Increase	Additional Revenue Yield	Per Capita Amount	Potential Rate Increase	Additional Revenue Yield	Per Capita Amount
Allegany	66,848	$33,500,00	3.20%	0.1%	$1,046,900	$15.66	0.10%	$1,046,900	$15.66
Anne Arundel	603,380	954,911,000	2.80%	0.1%	34,104,000	56.52	0.50%	170,519,800	282.61
Baltimore City	569,997	560,999,000	3.20%	0.1%	17,531,200	30.76	0.10%	17,531,200	30.76
Baltimore	847,650	1,206,335,518	3.20%	0.1%	37,698,000	44.47	0.10%	37,698,000	44.47
Calvert	94,484	139,031,458	3.20%	0.1%	4,344,700	45.98	0.10%	4,344,700	45.98
Caroline	34,116	28,875,500	3.20%	0.1%	902,400	26.45	0.10%	902,400	26.45
Carroll	176,677	271,097,100	3.03%	0.1%	8,947,100	50.64	0.27%	24,157,200	136.73
Cecil	107,131	89,713,396	2.72%	0.1%	3,298,300	30.79	0.58%	19,130,100	178.57
Charles	176,593	210,000,000	3.03%	0.1%	6,930,700	39.25	0.27%	18,712,900	105.97
Dorchester	33,628	25,255,820	3.30%	0.1%	765,300	22.76	0.00%	0	0.00
Frederick	302,883	439,454,001	2.98%	0.1%	14,746,800	48.69	0.32%	47,189,700	155.80
Garrett	28,370	19,500,000	2.65%	0.1%	735,800	25.94	0.65%	4,783,000	168.59
Harford	266,446	377,000,000	3.06%	0.1%	12,320,300	46.24	0.24%	29,568,600	110.97
Howard	339,183	739,207,703	3.20%	0.1%	23,100,200	68.11	0.10%	23,100,200	68.11
Kent	19,565	24,644,000	3.30%	0.1%	746,800	38.17	0.00%	0	0.00
Montgomery	1,074,582	2,255,386,910	3.30%	0.1%	68,345,100	63.60	0.00%	0	0.00
Prince George's	970,374	920,000,000	3.20%	0.1%	28,750,000	29.63	0.10%	28,750,000	29.63
Queen Anne's	54,448	105,500,000	3.20%	0.1%	3,296,900	60.55	0.10%	3,296,900	60.55
St. Mary's	116,692	168,286,221	3.20%	0.1%	5,258,900	45.07	0.10%	5,258,900	45.07
Somerset	24,973	13,150,000	3.20%	0.1%	410,900	16.45	0.10%	410,900	16.45
Talbot	38,238	40,000,000	2.40%	0.1%	1,666,700	43.59	0.90%	15,000,000	392.28
Washington	157,731	144,079,410	2.95%	0.1%	4,884,000	30.96	0.35%	17,094,200	108.38
Wicomico	106,899	84,000,000	3.20%	0.1%	2,625,000	24.56	0.10%	2,625,000	24.56
Worcester	54,459	53,000,000	2.25%	0.1%	2,355,600	43.25	1.05%	24,733,300	454.16
Total	**6,265,347**	**$8,902,927,037**			**$284,811,600**	**$45.46**		**$495,853,900**	**$79.14**

Note: Anne Arundel, Frederick, and Montgomery counties impose graduated income tax rates. The rates for Anne Arundel and Frederick counties reflect the effective tax rate for tax year 2024. The rate for Montgomery County reflects the maximum rate of 3.3%, which is imposed on taxable income greater than $150,000.

Source: Department of Legislative Services

County Government Reliance on Sales and Service Taxes

- Many county governments, including Baltimore City, impose a variety of sales and service taxes.
- Counties are generally limited to imposing sales taxes on fuel and utilities:
  - Worcester County is authorized to impose a sales tax on food and beverages in Ocean City.
  - Montgomery County imposes a tax on E-cigarettes.
  - Baltimore City, Anne Arundel County, and Howard County impose a tax on parking facilities.
- In FY 2027, county governments are estimated to collect $572.8 million in sales and service taxes.
  - Sales taxes on energy sources account for 65.4% of these taxes ($374.9 million), while sales taxes on telephones account for 27.0% of the total ($154.8 million).

Other Local Taxes - FY 2027 Budgeted

County	Sales -Energy	Sales - Telephone	Sales -Parking	E-Cigarette	Bag Tax	Food Tax	Total
Allegany							$0
Anne Arundel	6,151,000	2,400,000	7,850,000				16,401,000
Baltimore City	53,660,000	34,876,000	31,421,000				119,957,000
Baltimore	12,612,600	8,900,000					21,512,600
Calvert							0
Caroline							0
Carroll							0
Cecil							0
Charles							0
Dorchester							0
Frederick							0
Garrett	74,500						74,500
Harford							0
Howard					590,000		590,000
Kent							0
Montgomery	193,857,260	56,702,724		600,000	2,574,325		253,734,309
Prince George's	108,500,000	51,872,700					160,372,700
Queen Anne's							0
St. Mary's							0
Somerset							0
Talbot							0
Washington							0
Wicomico							0
Worcester						110,000	110,000
Total	**$374,855,360**	**$154,751,424**	**$39,271,000**	**$600,000**	**$3,164,325**	**$110,000**	**$572,752,109**

Source: County Budget Documents, Department of Legislative Services