

REMARKS ON FISCAL REFORM, DELIVERED INFORMALLY
BEFORE THE ALLEGANY COUNTY COMMISSIONERS
AND GUESTS
CUMBERLAND
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There had been a trend up until the time we enacted this tax reform to leave to the local government its own problems of financing what have traditionally been local needs. *The State did provide a certain amount of money in the sharing of income tax, but it was reluctant to ever increase that amount.*

Back when the income tax first became part of our system of revenue structuring, in 1947, and in the subsequent studies of the Sherbow Commission, in 1949, the local governments shared in the income tax at that time to the extent of receiving one dollar of every \$3 collected from their residents for local purposes.

Then, as the State's needs became greater, the tax was increased from 2 percent to 3 percent, in 1958, and the local governments' share did not increase. *The local governments at that time were having just as difficult a time financing their needs as the State was, but the State gave them no more money to do it with—consequently, they had to turn to the property tax, and the property tax began to grow as a local fund raiser until in the larger suburban areas it was financing as much as 90% of the total local effort.*

Now anyone familiar with local finance will tell you this is a bad situation. *It's bad because the property tax hits only one type of taxpayer—the one who owns his own home. It is particularly harmful to those on a fixed income. I admit that reflected in rentals is a certain amount of property tax expense because the landlord is bound to raise the rent as his taxes go up, but the people who have saved and accumulated money to buy a home during their productive years when they were earning money and then retired on a fixed income, found that the constantly escalating economy was causing a great deal of trouble. They weren't able to buy the same commodities with the same amount of money and therefore their fixed incomes were really not what they had intended them to be. They shrank in purchasing power. Their taxes were constantly going up as every other price was going up and many of them found themselves in a position where they actually had*