

to sell their homes because local government had turned to the property tax to finance entirely its needs, just about entirely—90 percent.

Something had to be done about this. There had to be a better balance in distribution of the tax burden between other citizens who could meet the needs with money that was escalating as well as costs—from income. Income is the truest index of ability to pay so we turn to the idea, in this fiscal reform, of providing the subdivisions with sufficient additional money from the income tax so that they would not have to turn to the property tax for the rising costs of local government to finance the needs of vital services.

Now I understand—let's put this on a very personal basis—Allegany County has a current operating budget of a little over \$8 million a year and if the agency requests are granted, the new budget would be somewhere just short of \$10 million a year—about a \$1.6 million increase of funds is needed according to the operating departments of the County. Now I would suppose that possibly this can be reduced by some sharp pencil work on the part of your very capable commissioners. But for the sake of our example, let's assume that you do have to come up with \$1.6 million in new monies. Without a tax reform this would have to be financed almost entirely from the property tax. Mr. Ebert has told me that a one penny levy on your property tax will produce about \$25,000. This would mean to produce the \$1.6 million increase you'd have to increase the tax on property 64 cents in one year. This would certainly cause a great hardship to the elderly citizens. Under the tax reform, the new State structuring will give you \$1 million of that \$1.6 million. This will mean that even if you granted every one of the agency requests, the maximum additional money to be financed is only \$600,000 instead of \$1.6 million. You don't even have to turn to the property tax for that because under the new tax reform you have been given certain flexibility in the way of a local income surtax, up to any point not to exceed 50 percent of the State tax. So that you are in a position where it is entirely possible through diligent budget cutting to hold your property tax even this year.

This is not a dream. It has happened in counties where the combined total of property tax raises before tax reform last year exceeded \$1.00. It's happened in counties like Baltimore County where the property tax is going to be held even or reduced; and Montgomery County where the property tax was cut 6 cents because of the new tax reform; and Baltimore City where there will be no property tax