

essential for them to secure additional revenues. Otherwise, they aver, there will be an unprecedented increase in real estate taxation in the city.

It is respectfully suggested that the City of Baltimore be granted general taxing powers to meet this emergency situation. This recommendation is endorsed by the Mayor, the Board of Estimates and the City Council of Baltimore. It is suggested that a limitation be placed upon the exercise of these additional powers, as I propose to appoint a State-wide commission to study State and Local relationships and to report to the next session of the General Assembly.

The City officials of Cumberland, also, request consideration of legislation to meet an emergency and I request your attention to the proposals.

With your Honorable Body in session I am availing of the opportunity to suggest a reduction in taxes under the Unemployment Compensation Act. Because of the healthy condition of the State Fund, we feel that such a reduction can be made by affording the merit rating provisions generally instead of excluding those whose payrolls increased appreciably during the wartime period. This reduction will aggregate \$7,000,000.00 for the remainder of the fiscal year, the Commission advises, and for this reason we are recommending that the change be operative from September 1, 1945.

Fortunately, the affairs of our own State of Maryland are in excellent condition. Through legislation enacted by your Honorable Body, Maryland has been able to face the critical needs of war, and the no less critical requirements of a post-war world, without undue strain. Not only are the State's fiscal affairs in the best possible shape, but likewise, the huge Unemployment Compensation Fund, built up over the past few years to the gratifying total of \$128,000,000.00, has weathered the first demands of unemployment in amazing fashion, so that today, twelve weeks after V-J Day, the fund has climbed to approximately \$130,000,000.00, the highest point in its history.

Through an enactment of the 1945 Regular session, the Board of Public Works was empowered to use all or part of any future surplus funds for one of three purposes: namely, to reduce income taxes, to lower property taxes, or to transfer funds to the post-war construction program. As a consequence of an unexpected surplus as of the close of the 1945 fiscal year of approximately \$1,200,000.00, and revised estimates of receipts for the remainder of the current fiscal year running beyond the most optimistic hopes, it was possible to effect reductions in both income and property taxes, as was announced officially just a short time ago.

These new reductions, under which individual taxpayers now will be able to deduct 50 percent of their tax on 1945 incomes, and the State real estate tax will be reduced further to 10¢ per \$100 of