STAFF AND STAFF IMPACT REPORT ON PROPOSED LEGISLATION

To: Mayor Jared Littmann

From: Joel Pallikal, Acting Finance Director

Date: March 23, 2026

Subject: R-7-26: Support of Maryland General Assembly House Bill 1142, Establishing the Task Force to Modernize County and Municipal Revenue Sources

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Purpose of Legislation

The purpose of this resolution is to formally express the Annapolis City Council's support for Maryland House Bill 1142, which would establish a state-funded Task Force to Modernize County and Municipal Revenue Sources, and to urge the General Assembly to pass the legislation. The City of Annapolis draws millions of visitors annually to its historic waterfront, maritime heritage, restaurants, and cultural events, generating substantial sales tax revenue for the State of Maryland; however, Maryland is one of only six states that does not share tax revenue from the sale of goods or services with local governments. Additionally, a significant portion of land within the City is owned by tax-exempt government entities, including the State House complex, Maryland's two highest courts, State office buildings, the United States Naval Academy, and Anne Arundel County facilities, substantially reducing the taxable property base and placing an inequitable burden on residential and commercial property taxpayers. The proposed Task Force would provide a data-driven, nonpartisan forum to study these structural inequities and recommend solutions that allow municipal governments to achieve fiscal resilience and diversify revenue sources beyond the local property tax.

Impact of legislation on operations

Resolution R-7-26 does not alter City operations, create new programs, or commit any City resources. Its sole function is to place the Annapolis City Council on record in support of House Bill 1142 and to direct the City Clerk to transmit that position to the District 30 state delegation and the Maryland Municipal League. No City staff time, funding, or administrative action is required beyond passage and delivery of the resolution itself.

However, the legislation it supports could have a significant long-term impact on the City's fiscal outlook. If HB 1142 passes and the resulting Task Force recommends that the General Assembly grant municipalities new revenue-raising authority, such as a share of state sales tax receipts, the City of Annapolis stands to benefit considerably given the volume of tourism and economic activity it generates but currently cannot capture. For a city whose tax base is constrained by large concentrations of tax-exempt state, federal, and county property, any broadening of available revenue tools could meaningfully reduce the burden on residential and commercial property taxpayers and provide a more sustainable funding foundation for City services.

Impact of legislation on staff needs

This legislation does not affect the staffing needs of the City.

Prepared by Joel Pallikal, Acting Finance Director