Date: May 12th, 2026

To: Montgomery County Council
Subject: ITOC Removal: A Tool for Racial Dispossession and a Calculated Fiscal Trap

Good afternoon, Council President Fani-Gonzalez, Vice President Balcombe, and Councilmembers, Staff and Community members. My name is Esther Wells. I am a CPA with a Masters' in Taxation.

I strongly urge this Council to reject the resolution to increase the income tax to 3.3% and to restore the Income Tax Offset Credit (ITOC). Any member comfortable with gutting the ITOC needs a history lesson on Montgomery County's dark past. You must understand how property taxes and discriminatory assessments were the tools used to displace Black families, a legacy of loss still felt today in places like Poolesville.

By setting the ITOC to zero, you are reviving that same racist machinery. A century ago, Black families in Sugarland lost their land to predatory tax sales. Today, by removing this $692 credit, you are engineering the displacement of the 43% of Black residents who have achieved homeownership. With the median Black household earning $72,000 less than White households, this is a categorical disaster designed to price Black families out of their own neighborhoods.

What is most egregious is that the homeowners most impacted by this have no idea this hearing is even happening. They will only find out what you did to them **after** the elections, when they receive a notice from their mortgage company. They will wake up to a negative escrow balance and a spike in their monthly payment they cannot afford. This is **constructive foreclosure**, and it is morally wrong.

Residents cannot trust your promise that this is for "one year." You made the same "temporary" pledge regarding the Fuel Energy Tax during the recession; yet, a decade later, it remains your third-largest revenue source. By adopting a structure that drains revenue over time, you are creating a permanent structural hole, a deficit you will inevitably use to justify never restoring the ITOC. For 200,000 homeowners, "temporary" is just a code word for permanent.

You are winning a battle but losing the war. Currently, 25% of filers pay 75% of our income tax. Maryland already ranks 4th highest in the nation for income tax. By removing the incentive to live here, you are handing our tax base to Virginia. These earners are already voting with their feet. We need them to fund our safety net. Stop biting the hand that feeds you.

Let’s be honest: this is a wealth transfer to fund union contracts for the organizations that endorsed you. In any ethical institution, you would recuse yourselves from voting on a payout to your political benefactors. Instead, you remain beholden to endorsers while constituents face 25% assessment spikes.

Your numbers are built on sand. You are using stale 2024 data while ignoring the thousands of federal jobs lost in 2025 and 2026. Furthermore, you advanced this via straw vote specifically to bypass a Racial Equity and Social Justice (RESJ) evaluation. You know it would fail. A policy that crushes lower-wealth homeowners while shielding commercial interests is a racist tool.

Stop trading Black land for political favors. Reject this resolution and restore the ITOC. Thank you.

Source: https://www.youtube.com/live/54gOylM6ELE?si=w2wEV8sMGf_DHDPr

County Income Tax – the Basics

State and County combined

- One return
- One payment or one refund

State distributes revenues to the counties

- Three types of distributions
- One fiscal year = Three tax years of revenues

County rate is a flat tax

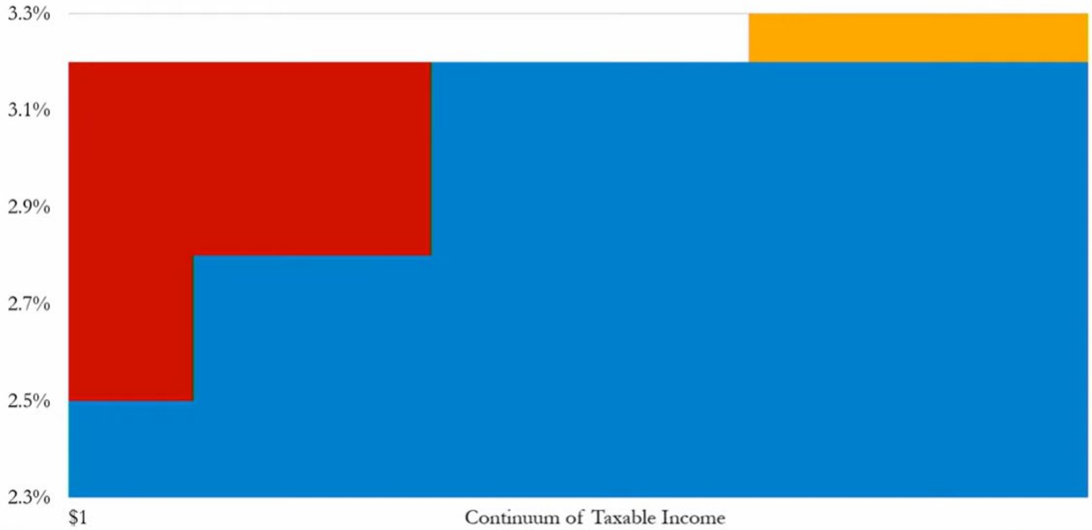
- Everyone pays the same rate – 3.2% of every taxable dollar
- Top 4% of County filers = 36.1% of County revenue (2024 data)

County Income Tax – the Basics

Montgomery County Filers in 2024

	Maryland Adjusted Gross Income	Returns Filed	Net Taxable Income	3.2% Local Tax	
18%	Non-Taxable Returns	94,827	$0	$0	
25%	Less than $50,000	131,927	$2,885,065,333	$79,621,754	
33%	$50,000 to $149,999	174,071	$13,222,286,763	$421,312,553	
15%	$150,000 to $299,999	80,503	$15,568,448,663	$496,988,059	24%
6%	$300,000 to $499,999	30,502	$10,780,339,373	$343,234,880	16%
3%	More than $500,000	20,363	$25,508,328,780	$757,741,647	36%
	Total	**532,193**	**$67,964,468,912**	**$2,098,898,893**	

Progressive Income Tax Structure



Progressive Income Tax Structure
Continued

Every resident will pay less on first $150,000 of taxable income

- Effective rate will be less for those who earn less
- Higher tax rates will only impact higher-earners

Progressive Income Tax Structure
Continued

Projected Income Tax Revenues ($ millions)

	FY27	FY28	FY29
GO Committee Rates	2,228.0	2,240.2	2,289.1
Baseline (3.2%)	2,292.9	2,397.6	2,472.2
Reduce CE Proposed Rate	(24.4)	---	---
Revenue Difference	**(89.3)**	**(157.5)**	**(183.2)**
Reduce ITOC to $0	139.7	139.7	139.7
Total Change	**50.4**	**(17.8)**	**(43.5)**

Income Tax Offset Credit (ITOC)

Historical background

- State allowed this tax credit as part of a tax package
- Offsets income tax revenues from higher income tax rate

Eligibility requirements

- Must live in primary County residence
- Must have State file for Homestead Tax Credit (new as of 2022)

Program demographics

- Not collected by County
- Owner-occupied units tend to skew White (55% as of 2024)