

To provide the revenue for this bold new program in public education and to furnish the funds for other essential services of State government, I recommended an increase in the State income tax rate of from three to four per cent. It should be remembered that the effective date of this proposal increase was delayed until January 1, 1965, and is not—I repeat—is not now in effect. Curiously, I find much confusion on this point but, nevertheless, the fact remains that while the program to improve public education in Maryland has been moving forward for several months, the tax to finance this program was deliberately postponed until January 1, 1965. I recommended the increase, however, and the General Assembly approved it, not without recognizing that President Johnson's proposed reduction in the Federal income tax rate could possibly have a beneficial effect on the economy of Maryland. As a matter of fact, on Tuesday, February 18, 1964, I appeared before the people of Maryland on television and, at that time, discussed what I believed to be the need for the proposed tax increase. During the course of this discussion, I remarked and I quote: “. . . if we are fortunate enough to enjoy a period of economic boom—if the proposed Federal income tax reduction stimulates our economy to such a degree that a sharp increase in revenue to the State results, then I will be the first to recommend a downward adjustment in the tax schedule at the next session of the General Assembly.”

The legislation that was drafted and eventually enacted carried, at my request, a proviso that authorized the State Board of Public Works to return to the people those surplus funds in excess of eight million dollars. This proviso was not unique, and, as a matter of fact, was inserted into the legislation to assure the taxpayers of Maryland that the State had no intention of imposing upon them any unnecessary financial burdens to defray the cost of vital state services. Precedent for this proviso existed as a result of legislation enacted in 1943, authorizing the Board of Public Works, of which I was a member, to apply any excess receipts above a specified surplus for fiscal 1943 and 1944 to the State debt and/or to reducing the State income and real and personal property taxes. And again, in October, 1945, the State Board of Public Works of which I was also a member, acting in accordance with legislation enacted at the 1945 session of the General Assembly, authorized that a tax credit be granted to individual income tax payers. As a matter of fact, during this period, the Board of Public Works, on at least four separate occasions, lowered income taxes in accordance with legislation enacted by the General Assembly.

Unfortunately, the proviso in the law enacted this year permitting the return of surplus funds was held unconstitutional by a lower court