

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 389 (The President, *et al.*) (By Request - Administration)
Finance and Education, Energy, and the Economic Matters and Environment and
Environment Transportation

Land Use - Transit-Oriented Development - Alterations (Maryland Transit and
Housing Opportunity Act)

This Administration bill makes several changes to State law relating to transit-oriented development, including (1) allowing for automatic designation of certain transit-oriented developments as enterprise zones, at the discretion of the applicable local government or multicounty agency; (2) establishing a priority under an existing State loan program; (3) prohibiting local jurisdictions from imposing certain land use limitations or requirements on development near specified rail transit stations; and (4) subject to a contingency, prohibiting the collection of local development impact fees or excise taxes from certain transit-oriented development before construction is completed. **The development impact fee/excise tax provisions take effect October 1, 2027, subject to a specified contingency.**

Fiscal Summary

State Effect: Due to enterprise zone tax credits, if additional enterprise zones are designated pursuant to the bill, (1) general fund expenditures increase in future years, as discussed below, and (2) general fund, Transportation Trust Fund (TTF), and Higher Education Investment Fund (HEIF) revenues decrease in future years, as discussed below.

Local Effect: Local government finances are affected by the bill, as discussed below. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: The Administration has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The bill makes the following changes to State law relating to transit-oriented development:

- **Designation of a Transit-oriented Development as an Enterprise Zone** – The bill allows for an area designated as a transit-oriented development, and served by a rail transit station that receives at least hourly service on average from 8:00 a.m. until 6:00 p.m. Monday through Friday, to be automatically designated as an enterprise zone (regardless of the limit on the number of enterprise zones the Secretary of Commerce may designate in a calendar year) at the discretion of the local government or multicounty agency with land use and planning responsibility for the area that requested the area be designated as a transit-oriented development. For an area designated as a transit-oriented development before October 1, 2026, the local government or multicounty agency must approve the designation of the area as an enterprise zone, and for an area designated as a transit-oriented development on or after October 1, 2026, the area is automatically designated as an enterprise zone unless the local government or multicounty agency elects not to designate the area as an enterprise zone. **Exhibit 1** (see Current Law/Background below) shows areas currently designated as transit-oriented developments (that meet the transit service level criteria in the bill) and surrounding existing enterprise zones. (See Additional Comments below relating to the designation of a transit-oriented development as an enterprise zone under the bill.)

The bill also establishes that a requirement that a business entity located in an enterprise zone and on government-owned land or within government-owned improvements first utilize all applicable property tax exemptions in order to receive the enterprise zone tax credits (discussed below under Current Law) does not apply to a business entity leasing land or improvements owned by the Maryland Department of Transportation (MDOT).

- **Prioritization under the Strategic Infrastructure Revolving Loan Program** – The bill requires the Maryland Economic Development Corporation (MEDCO), in making loans under the Strategic Infrastructure Revolving Loan Program, to prioritize projects that redevelop land contiguous to rail transit stations that is owned by the State, Baltimore City, or the Washington Metropolitan Area Transit Authority (WMATA).
- **Prohibition on Minimum Off-street Parking Requirements** – The bill generally prohibits a local government from imposing a minimum off-street parking requirement on a residential or mixed-use development that is located wholly within

0.25 miles of a rail transit station that receives at least hourly service on average from 8:00 a.m. until 6:00 p.m. Monday through Friday (the prohibition does not apply to a rail station located on the campus of an institution of higher education or property that was zoned for single-family residential use on January 1, 2026). A minimum off-street parking requirement may be imposed, however, if the local government has performed a specified data-supported adequate parking study, to justify the requirement, within three years prior to the submission of a development application, and MDOT concurred in the findings of the parking study. MDOT must provide its decision within 45 days after the findings of the study are submitted to the department, and failure by the department to provide a decision within 45 days is deemed as concurrence by the department.

- **Prohibition on Land Use Limitations/Restrictions Imposed on Certain Transit-oriented Development** – The bill prohibits a local government from imposing limitations or restrictions (*e.g.*, land use classification, height, setback) on land owned by the State, Baltimore City, or WMATA that is (1) in use for a transportation purpose contiguous to a rail transit station that receives at least hourly service on average from 8:00 a.m. until 6:00 p.m. Monday through Friday and (2) subject to a transit-oriented development plan approved by MDOT and developed in coordination with the local jurisdiction. The prohibition does not affect the local jurisdiction’s land use authority governing (1) environmental or natural resources concerns; (2) public health and safety considerations; or (3) adequate public facilities ordinances.
- **Future Rezonings Must Allow Certain Mixed-use Development Near Transit** – A local jurisdiction’s rezonings or actions taken after the bill’s effective date must allow mixed-use development on land designated for residential use or appropriate commercial use for mixed-use development that is wholly within 0.5 miles of a rail transit station that receives at least hourly service on average from 8:00 a.m. until 6:00 p.m. Monday through Friday (the requirement does not apply to a rail station located on the campus of an institution of higher education or property that was zoned for single-family residential use on January 1, 2026). “Mixed-use” means any combination of a residential use with a recreational, office, dining, or retail use. The requirement does not affect the local jurisdiction’s land use authority governing (1) environmental or natural resources concerns; (2) public health and safety considerations; or (3) adequate public facilities ordinances.
- **Development Impact Fees and Excise Taxes for Transit-oriented Mixed-use Development Collected after Construction is Completed (Effective October 1, 2027, Contingent on the Failure of Senate Bill 325 and House Bill 548)** – The bill prohibits a county or municipality from collecting development impact fees or excise taxes (other than those for a public water/sewer system

connection) imposed on mixed-use development – that includes residential units and is located within a designated transit-oriented development served by a rail transit station that receives at least hourly service on average from 8:00 a.m. until 6:00 p.m. Monday through Friday – until after construction is completed and all requirements for a certificate of occupancy, occupancy permit, or other equivalent issued for the development have been met. The bill authorizes denial, withholding, or revocation of a certificate, permit, or equivalent if the fee/tax is not paid within a reasonable time period. Any excise tax or development impact fee may be collected as a precondition to conducting a final inspection, but not more than 30 days prior to the date of inspection. These development impact fee and excise tax provisions take effect October 1, 2027, and only if Senate Bill 325 and House Bill 548 (which contain similar provisions, that are not limited to transit-oriented developments) fail.

Current Law/Background:

Transit-oriented Development

In General

“[Transit-oriented development](#)” is defined in statute as a mix of private or public parking facilities, commercial and residential structures, and uses, improvements, and facilities customarily appurtenant to such facilities and uses, that is:

- part of a deliberate development plan or strategy involving (1) property that is adjacent to the passenger boarding and alighting location of a planned or existing transit station; (2) property, any part of which is located within 0.5 miles of the passenger boarding and alighting location of a planned or existing transit station; or (3) property that is adjacent to a planned or existing transit corridor;
- planned to maximize the use of transit, walking, and bicycling by residents and employees; and
- designated as a transit-oriented development by (1) the Sustainable Growth Subcabinet and (2) the local government or multicounty agency with land use and planning responsibility for the relevant area applying for designation.

(The Sustainable Growth Subcabinet is made up of the leaders of various State agencies/offices and is established in statute to articulate, coordinate, and implement the State’s sustainable growth policy.)

MDOT indicates that transit-oriented development, which generally refers to dense, mixed-use development within a 0.5-mile radius of a transit station, is included in the Moore-Miller 2024 State Plan as a tool for addressing the affordable housing shortage in the State.

State Designation Program

The [State Transit-Oriented Development Designation Program](#) provides State recognition of a local jurisdiction's transit-oriented development efforts at an eligible site and makes the site eligible for certain State support. A local jurisdiction applies to MDOT for a designation, which then makes a recommendation to the Sustainable Growth Subcabinet, which approves or denies the designation.

Among the State support available to a designated transit-oriented development is eligibility for MDOT's Transit-Oriented Development Capital Grant and Revolving Loan Fund, which provides grant and loan funding to local jurisdictions for design plans and public infrastructure improvements, as well as gap financing (the gap between expected development costs and available funds) applied for jointly by a local jurisdiction and nonprofit/private developer. Statute requires the Governor to include in the annual budget bill an appropriation sufficient to ensure a fund balance of at least \$5.0 million at the start of a fiscal year.

Exhibit 1 shows the existing designated transit-oriented developments (that meet the transit service level criteria in the bill) and surrounding existing enterprise zones.

Transit-oriented Development on State-owned Land

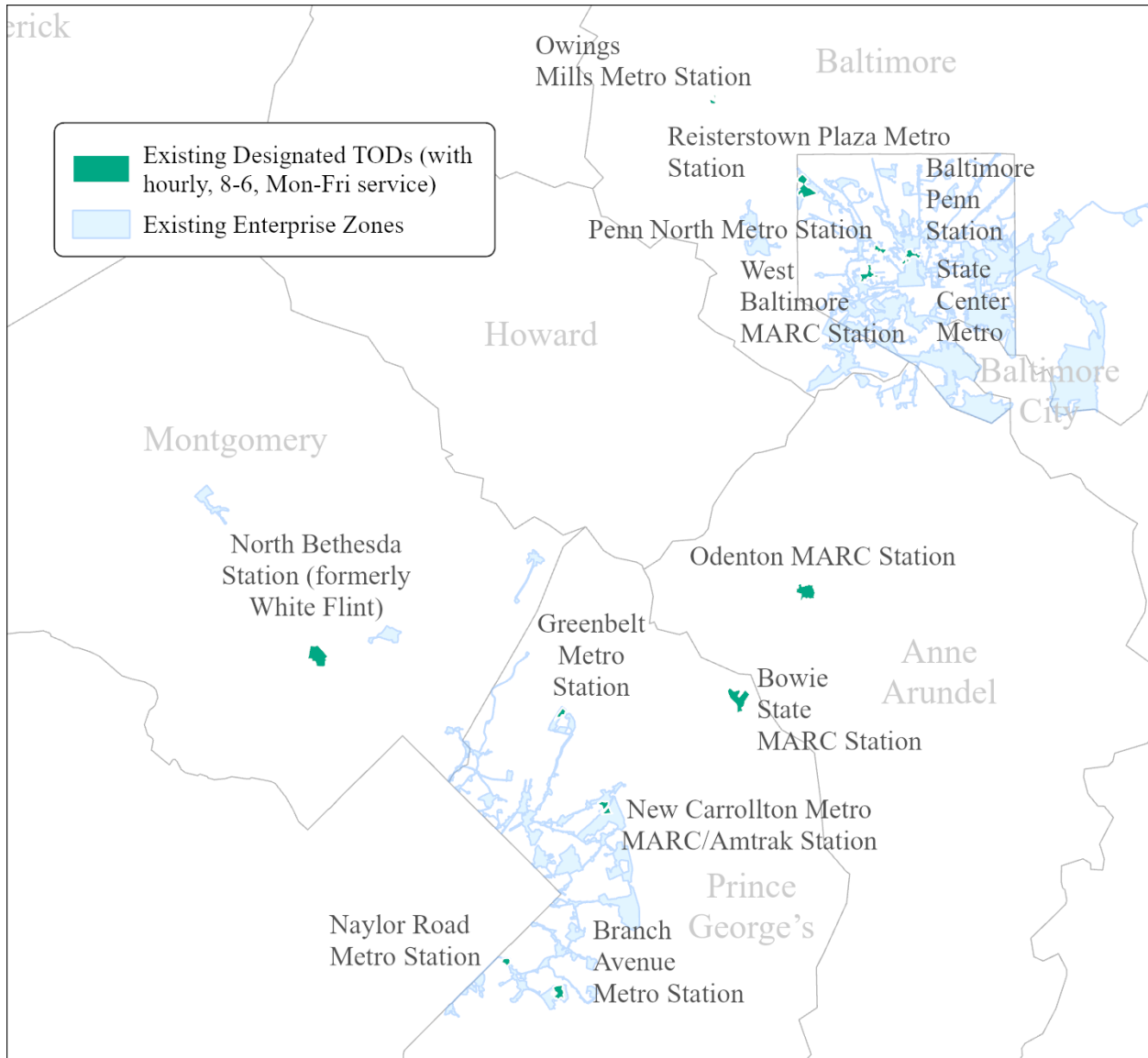
MDOT describes its [Joint Development Program](#) as a subset of transit-oriented development where it partners with a public or private developer with the goal of delivering mixed-use, high-density development on State-owned land in close proximity to transit stations. The goals of the [Joint Development Policy](#) that supports the program include increased housing supply as well as increased ridership and reduced single occupancy vehicles miles traveled.

Executive Order 01.01.2025.19 ("Addressing Maryland's Affordable Housing Crisis"), signed in September 2025, includes various requirements focused on developing housing on State-owned land, particularly on land owned by MDOT, through transit-oriented development.

Enterprise Zones

The statutory purpose of enterprise zones authorized under State law is to attract, retain, and encourage commercial development in economically distressed areas of the State, in partnership with political subdivisions, by incentivizing capital investment and job creation through real property and income tax credits. A local jurisdiction applies to the Secretary of Commerce for designation of an enterprise zone and must show that the area meets one of several criteria relating to unemployment or low income of the population in or near the area or a noticeable decline in population in or near the area.

Exhibit 1
Existing Designated Transit-oriented Developments (with the Transit Service Level Referenced in the Bill) and Existing Enterprise Zones



TOD: Transit-oriented development

Sources: Maryland Department of Transportation and Department of Commerce (geographic data); Department of Legislative Services (map)

The designation of an area as an enterprise zone is effective for 10 years and the Secretary may not designate more than six enterprise zones in a calendar year. A local jurisdiction may reapply to the Secretary to designate as an enterprise zone an area that is not designated. A jurisdiction can also apply to designate all or part of an enterprise zone as a focus area for the lesser of 5 years or the remainder of the 10-year term of the zone if multiple criteria showing economic distress are met.

The primary incentives available to businesses in an enterprise zone are a local property tax credit (partially paid for by the State) and a State income tax credit:

- *Local Property Tax Credit (partially paid for by the State)* – The local property tax credit is available to business entities, which can include a business that owns, operates, develops, constructs, or rehabilitates real property primarily intended for residential use but that is partially devoted to a nonresidential use. The credit is available to a business entity for 10 years (irrespective of when the enterprise zone designation ends) applied against the value added to the property through capital improvement/investment (after the designation of the enterprise zone), but only the added value attributable to nonresidential use. The business receives a credit of 80% of the tax that otherwise is imposed on the increased (nonresidential use) value for the first 5 years, then decreasing annually, to 30% by the 10th year. In a focus area, the business receives the 80% credit for the full 10 years. The state must remit to the county or municipality one-half of the funds that otherwise would have been collected if not for the credit. The Governor’s FY 2027 Budget Books indicate that the State’s remittance to the counties in fiscal 2024 and 2025 was \$26.9 million and \$28.7 million, respectively, and the estimated remittance in fiscal 2026 and 2027 is \$32.2 million and \$31.4 million, respectively.
- *State Income Tax Credit* – The State income tax credit is available to business entities and, unlike the local property tax credit, not business entities owning, operating, developing, constructing, or rehabilitating property primarily intended for residential use. A business entity is allowed a credit against the entity’s State income tax equal to specified amounts of the wages paid by the business entity to new or certain replacement employees, with higher amounts available for wages paid to economically disadvantaged employees and employees that work in a focus area or are engaged in work resulting from the business entity’s location in a focus area.

A business entity located in an enterprise zone and on land or within improvements owned by the federal government, the State, a county, or a municipality, must first utilize all applicable property tax exemptions, including entering into any available payment in lieu of tax agreement, in order to receive the enterprise zone local property tax credit and

State income tax credit. However, that requirement does not apply to a business entity leasing land or improvements owned by MEDCO.

Strategic Infrastructure Revolving Loan Program

Chapter 449 of 2024 established the Strategic Infrastructure Revolving Loan Program within MEDCO to make loans for targeted investments in real estate and infrastructure projects to support transformative place-making, enhance transit-oriented development, enhance community development, and achieve inclusive and equitable economic growth objectives, with a focus on bringing underutilized assets into performance and generating revenue.

In making loans, MEDCO must prioritize projects that (1) activate underutilized property owned by the government and institutions; (2) offer significant development or redevelopment value; (3) leverage private investment; and (4) have the potential for significant job growth. Loans may be used (1) to acquire property, including vacant sites; (2) for design and development of a project; and (3) for rehabilitation, construction, and demolition.

The program first received funding in the fiscal 2026 budget – \$10.0 million – and the fiscal 2027 budget as passed by the General Assembly also includes \$10.0 million for the program. MEDCO expects to issue the first round of loans before the end of fiscal 2026.

Land Use

In General

The regulation of land use in the State, through planning and zoning, is implemented by local governments, subject to applicable State law. Planning and zoning authority is delegated by the State to local governments under the Land Use Article of the Maryland Code and, for certain counties, the Express Powers Act (Title 10 of the Local Government Article).

Both the Land Use Article and Express Powers Act contain the State’s policy statement that (1) the orderly development and use of land and structures requires comprehensive regulation through implementation of planning and zoning controls and (2) planning and zoning controls must be implemented by local government.

Development Projects Near a Rail Station that Include Affordable Dwellings

The Housing Expansion and Affordability Act (Title 7, Subtitle 5 of the Land Use Article), enacted by Chapter 122 of 2024, among other things, requires a local jurisdiction, subject

to certain exceptions, to allow the density of a residential development project within three-quarters of a mile of a rail station, that contains at least 15% affordable dwelling units, to exceed the density otherwise authorized in a district or zone. A project in an area zoned:

- for single-family residential use, may include middle housing units (duplexes, triplexes, quadplexes, cottage clusters, or townhouses);
- for multifamily residential use, (1) must have a density limit that exceeds by 30% the allowable density in that zone for other uses/projects and (2) may consist of mixed-use;
- for nonresidential use, may consist of mixed-use, with density limits that do not exceed the highest allowable density in the local jurisdiction's multifamily residential zones (provided the project complies with public health impact assessment requirements); and
- for mixed-use, may include 30% more housing units than are allowed in that zone for other uses/projects.

Also, a local jurisdiction is prohibited from imposing any unreasonable limitations or requirements on such projects, including limitations on or requirements concerning (1) height; (2) setback; (3) bulk; (4) parking; (5) loading, dimensional, or area; or (6) similar requirements.

“Unreasonable limitation or requirement” includes any limitation or requirement that amounts to a *de facto* denial by having a substantial adverse impact on (1) the viability of an affordable housing development in a project; (2) the degree of affordability of affordable dwelling units in a project; or (3) the allowable density or number of units of the project.

Prohibition of Off-street Parking Requirements for Development Near Transit Stations – Baltimore City

Chapter 651 of 2024 prohibits the Mayor and City Council of Baltimore City from adopting or enforcing a local law that requires creation of new motor vehicle off-street parking for a development that includes residential use and that is located within a 0.25-mile radius of a present or planned (1) MARC station; (2) Baltimore Maryland Transit Administration Light Rail Station; (3) Red Line station, regardless of transit mode; or (4) Metro station.

Development Impact Fees and Excise Taxes

Development impact fees and excise taxes enable local governments to collect revenue for new or expanded public facilities or services necessitated by new residential or commercial development, shifting the costs of financing the new or expanded facilities/services from existing taxpayers to those responsible for the development. See the attached SB 389/ Page 9

Appendix – Development Impact Fees and Excise Taxes for information on the amount of fees and taxes (for single-family detached homes) and overall revenues collected by counties that impose the fees/taxes. And see this [2025 DLS report](#) for citations/links to State enabling law and county implementing laws for development impact fees and excise taxes, as well as full fiscal 2025 fee/rate schedules, in the appendices, which include multifamily residential fee and tax amounts.

The Comptroller’s [October 2025 report](#) on housing and the economy noted concerns from developers that having development impact fees or excise taxes be due before a project is completed, in some cases before building begins, adds to the level of up-front investment required for a project.

State Fiscal Effect: The bill has the following direct effects on State finances:

- ***General Fund Expenditures May Increase in Future Years*** (Enterprise Zone Local Property Tax Credit) – To the extent that transit-oriented developments are designated as enterprise zones pursuant to the bill, general fund expenditures increase by an indeterminate amount in future years for the State to remit additional funding to local jurisdictions for one-half of the local property tax revenues that would have been collected by affected local jurisdictions if not for the enterprise zone local property tax credit. The extent of the increase cannot be reliably estimated, partially because the designation of transit-oriented developments as enterprise zones is subject to local discretion. Because the credit, as described above, applies to the value (attributable to the portion of the property devoted to nonresidential use) of new capital investment in property in an enterprise zone, the fiscal impact of credits being claimed in newly-designated enterprise zones under the bill is assumed to not occur to any significant extent in fiscal 2027, but instead in future years.

As indicated above, the State’s total remittance to local jurisdictions was \$26.9 million and \$28.7 million in fiscal 2024 and 2025 and is estimated to be \$32.2 million and \$31.4 million in fiscal 2026 and 2027. The proportional increase in geographic area of enterprise zones resulting from the bill is likely not a reliable indicator of any future increase in the State’s remittance obligation; however, for context, based on a geographic information systems analysis, it appears that if all of the existing designated transit-oriented developments (that meet the transit service level criteria in the bill) were designated as enterprise zones, the total geographic area of the enterprise zones in the State would increase by 1.7%. (That percentage accounts for the fact that a portion of the area of existing designated transit-oriented developments is already within an enterprise zone.)

- ***General Fund, Transportation Trust Fund, and Higher Education Investment Fund Revenues May Decrease in Future Years*** (Enterprise Zone State Income Tax Credit) – To the extent that transit-oriented developments are designated as enterprise zones pursuant to the bill, general fund revenues decrease in future years due to additional businesses claiming the enterprise zone State income tax credit. General fund revenues decrease to the extent credits are claimed against the State income tax and, to the extent credits are claimed against the State corporate income tax, TTF revenues and HEIF revenues also decrease. The extent of the decrease in revenues cannot be reliably estimated, partially because the designation of transit-oriented developments as enterprise zones is subject to local discretion. Similar to the local property tax credit, there is no effect in fiscal 2027, because of the timing of when the bill’s enterprise zone provisions take effect (October 1, 2026), and requirements that have to be met before a credit can be claimed for a taxable year (including the length of time that an employee upon whose wages a credit is based must have been employed).

For context, the Department of Commerce’s Office of Finance Programs [December 2025 report](#) (see pages 8-9) on the enterprise zone tax credit program (covering both the property and income tax credits) indicates that, while recent data on enterprise zone State income tax credits earned is not available, data through fiscal 2021 shows the amount of tax credits earned varying relatively significantly, reaching as high as \$4.8 million and \$5.7 million in tax year 2016 and fiscal 2019, respectively, but otherwise remaining at a lower level – \$673,481, \$696,737 and \$727,694 in fiscal 2018, 2020, and 2021, for example.

MDOT indicates that it may incur consultant costs to review any adequate parking studies performed by local governments (to impose a minimum off-street parking requirement) in order for the department to concur or not concur in the findings of the studies, as required by the bill. While the extent to which MDOT will need to review adequate parking studies cannot be reliably estimated, any costs incurred for MDOT’s review of the studies do not appear likely to be substantial (and therefore are not referenced in the Fiscal Summary above).

Other provisions of the bill are not expected to directly affect State finances. Commerce, the Maryland Department of Planning, and the Department of Housing and Community Development each indicate that the bill does not directly affect their expenditures. MEDCO indicates that the bill’s requirement that it prioritize projects that redevelop land contiguous to rail transit stations owned by the State, Baltimore City, or WMATA, under the Strategic Infrastructure Revolving Loan Program, does not have a significant fiscal or operational impact on the agency. The bill’s prioritization requirement does not directly affect the overall level of funding of the program.

Potential beneficial indirect effects of the bill on State finances (e.g., increased tax revenues) – to the extent the bill results in transit-oriented (land and economic) development that otherwise does not occur or does not occur at the same rate – are beyond the scope of this analysis; however, it may be worth noting that, among potential indirect effects, MDOT generates TTF revenue from transit-oriented development on State-owned land, whether through the lease or sale of the land, to the extent this bill results in such development that otherwise does not occur or does not occur at the same rate. Of the three joint developments MDOT has undertaken to date, two generate lease revenue (\$724,000 per year and \$65,000 per year, respectively) and the third involved a sale of land for \$3.3 million.

Local Fiscal Effect: The bill has the following direct effects on local government finances:

- ***Local Property Tax Revenues May Decrease*** (Enterprise Zone Local Property Tax Credit) – To the extent that transit-oriented developments are designated as enterprise zones pursuant to the bill, local government property tax revenues decrease in future years due to businesses claiming the enterprise zone local property tax credit against the value (attributable to the portion of the property devoted to nonresidential use) of new capital investment in property in an enterprise zone. The magnitude of the decrease in local property tax revenues is equivalent to the magnitude of the State general fund expenditure increase (discussed above) – the State and local governments effectively share the cost of the tax credit. The extent of the decrease in local property tax revenues cannot be reliably estimated, partially because the designation of transit-oriented developments as enterprise zones is subject to local discretion. See the State Fiscal Effect for additional, contextual information.
- ***Development Impact Fees and Excise Tax Revenues Delayed (Contingent on the Failure of Senate Bill 325 and House Bill 548)*** – To the extent the bill’s development impact fee and excise tax provisions take effect (the provisions are contingent on the failure of Senate Bill 325 and House Bill 548), local government revenues from development impact fees and excise taxes are delayed, beginning as early as fiscal 2028 (due to the provisions’ delayed effective date of October 1, 2027), to the extent the bill’s prohibition against a county or municipality collecting development impact fees or excise taxes imposed on mixed use development that includes residential units located within a designated transit-oriented development (with the transit service level referenced in the bill), before construction is completed, causes any fees/taxes collected from such development to be collected later than they would be in the absence of the bill (potentially a delay of multiple fiscal years, if the fees/taxes are collected before development begins in the absence of the bill).

A full analysis of the impact of this provision of the bill on the affected jurisdictions containing the designated transit-oriented developments (shown in Exhibit 1) – based on their existing local development impact fee or excise tax law, any relevant existing exemptions, and the timing of collection/payment – has not been completed; however, this provision of the bill is expected to affect some jurisdictions more than others. Baltimore City, for example, does not impose development impact fees or excise taxes, and Montgomery County, through local legislation enacted in February 2025, already does not collect development impact fees/excise taxes (called “development impact taxes” in the county) until the final inspection of a building is scheduled.

The bill’s land use provisions are not expected to have a direct, material impact on local government finances. In certain jurisdictions, the general prohibition on minimum off-street parking requirements for residential and mixed-use development within 0.25 miles of a rail transit station that receives at least hourly service (as specified in the bill) may strain on-street or other parking availability in areas around those rail transit stations (as noted under the Current Law/Background, a similar prohibition already applies in Baltimore City). However, it does not appear that potential increased strain on parking capacity resulting from the bill has a direct, material impact on local government finances. The bill also allows a local government to impose a minimum off-street parking requirement if an adequate parking study is performed and MDOT concurs in the findings of the study.

The bill’s other land use provisions – while they limit local governments’ land use authority and may have operational impacts – do not appear to have a direct, material impact on local government finances. In addition, the bill establishes that specified provisions of the bill do not alter a local jurisdiction’s land use authority governing adequate public facilities ordinances, retaining a local jurisdiction’s ability to limit development if existing or planned facilities/services cannot support the development.

Similar to the potential beneficial indirect effects of the bill on State finances (referenced above under the State Fiscal Effect), the potential indirect beneficial effects of the bill on local government finances – to the extent the bill results in transit-oriented (land and economic) development that otherwise does not occur or does not occur at the same rate – are beyond the scope of this analysis.

Additional Comments:

“Enterprise Zone” Definition

DLS notes that the bill, under a definition provision not discussed in the Bill Summary above, defines “enterprise zone” as including an area designated as a transit-oriented

development that is served by a rail transit station that receives at least hourly service on average from 8:00 a.m. until 6:00 p.m. Monday through Friday, without reference to the bill's separate provisions (discussed in the Bill Summary) giving the applicable local government or multicounty agency discretion as to whether a transit-oriented development is designated as an enterprise zone. This analysis nonetheless assumes that, under the bill, the designation of a transit-oriented development as an enterprise zone, in all cases, is subject to the provisions that give discretion to the applicable local government or multicounty agency.

Development Impact Fee and Excise Tax Provisions

DLS also notes that the bill's prohibition on the collection of development impact fees or excise taxes before construction is completed applies to a fee or tax imposed under authority granted in the Local Government Article; however, not all development impact fees and excise taxes are imposed under authority granted in the Local Government Article (see the State enabling laws for development impact fees and excise taxes shown on pages 2-3 of this [2025 DLS report](#)), including most of the fees/taxes imposed in jurisdictions in which transit-oriented developments that meet the transit service level criteria in the bill are currently located (those shown in Exhibit 1). This analysis, however, assumes that (1) development impact fees and excise taxes imposed under authority other than authority granted in the Local Government Article are not intended to be excluded from the application of the bill's prohibition and (2) the prohibition applies to any development impact fees and excise taxes that are otherwise subject to it.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 894 (The Speaker, *et al.*) (By Request - Administration) - Economic Matters and Environment and Transportation.

Information Source(s): Anne Arundel, Baltimore, Charles, Dorchester, Garrett, and Howard counties; Maryland Association of Counties; Maryland-National Capital Park and Planning Commission; City of Laurel; Maryland Municipal League; Town of La Plata; Maryland Economic Development Corporation; Department of Commerce; Baltimore City Community College; University System of Maryland; Department of Housing and Community Development; Maryland Department of Planning; Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History:
jg/lgc

First Reader - March 17, 2026
Third Reader - April 1, 2026
Revised - Amendment(s) - April 1, 2026
Revised - Clarification - April 1, 2026
Revised - Budget Information - April 1, 2026
Revised - Clarification - May 5, 2026
Revised - Correction - May 5, 2026

Analysis by: Scott D. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Appendix – Development Impact Fees and Excise Taxes

This appendix compiles information on (1) the development impact fees and excise taxes imposed by Maryland counties and (2) the revenues generated by the fees/taxes. Development impact fees and excise taxes enable local governments to collect revenue for new or expanded public facilities or services necessitated by new residential or commercial development, shifting the costs of financing the new or expanded facilities/services from existing taxpayers to those responsible for the development.

The county development impact fees and excise taxes included in this appendix are those charges generally identified as development impact fees or excise taxes, or a variation of those terms (in some cases “surcharge” or “impact tax” is used). However, this appendix does not include all charges imposed on new development to generate revenue to cover costs of new or expanded public facilities/services. Some jurisdictions also impose water- and sewer-related charges (such as capital connection charges or system development charges), and/or mitigation payments based in the county’s adequate public facilities ordinance, that generate revenue for new or expanded public facilities/services. While not focused on in this report, a number of Maryland’s municipalities also impose impact fees or similar charges on new development to generate revenue for public facilities or services they provide.

The first table below shows the counties’ fee amount or tax rate for a single-family detached home in each of fiscal 2024, 2025, and 2026.

The second table shows actual or projected/estimated revenues from counties’ development impact fees and excise taxes for fiscal 2024, 2025, and 2026. This table is based primarily on information provided by the counties in response to the Department of Legislative Services’ (DLS) and the Maryland Association of Counties’ *FY 2026 Local Government Budget and Tax Rate Survey* conducted during summer 2025, supplemented by DLS follow up with certain counties. The extent to which the revenue amounts are actual vs. projected/estimated varies. The fiscal 2024 amounts are actual revenue amounts, and the fiscal 2025 and 2026 amounts are projected/estimated revenues in most cases; in limited cases, some counties were able to provide actual fiscal 2025 revenue amounts.

County Development Impact Fees and Excise Tax Rates¹
Fiscal 2024-2026

County	FY 2024	FY 2025	FY 2026
Anne Arundel ²	\$16,217	\$16,636	\$16,903
Baltimore ³	1.5% of gross sales	\$6.00/sq. ft.	\$6.00/sq. ft.
Calvert	12,950	12,950	12,950
Caroline	5,000	5,000	5,000
Carroll ⁴	3,533	3,533	3,533
Charles	20,330	21,351	21,972
Dorchester ⁵	0	0	5,000
Frederick ⁶	17,961	18,851	19,408
Harford ⁷	6,000	10,000	10,000
Howard ⁸	\$9.77/sq. ft.	\$10.05/sq. ft.	\$10.27/sq. ft.
Montgomery ⁹	56,274	56,274	59,854
Prince George's ¹⁰	29,188	30,180	30,875
Queen Anne's	\$5.85/sq. ft.	\$5.85/sq. ft.	\$5.99/sq. ft.
St. Mary's	6,697	6,697	6,697
Talbot ¹¹	9,091	9,091	9,356
Washington	\$1.00/sq. ft.	\$1.00/sq. ft.	\$1.00/sq. ft.

sq. ft.: square foot

¹ Fees/rates listed are those applicable to single-family detached dwellings and are per dwelling unless otherwise indicated.

² Rates are for a 2,000 to 2,499 sq. ft. residential unit. Residential rates vary by the square footage of a unit.

³ Baltimore County Bill 45-24 established a \$6.00 per square foot development impact fee for residential development effective August 25, 2024.

⁴ The schools portion of the impact fee was increased from \$0 to \$3,000, increasing the total impact fee from \$533 to \$3,533, effective September 1, 2023.

⁵ The county development excise tax had been suspended since 2014, but the suspension ended in fiscal 2026.

⁶ The rates shown reflect the public school and library impact fee total.

⁷ The impact fee was increased from \$6,000 to \$10,000 – effective March 1, 2025 – pursuant to Bill No. 24-033.

⁸ The fiscal 2024, 2025, and 2026 amounts represent the total of the roads tax amount (\$1.90/sq. ft., \$1.90/sq. ft., and \$1.92/sq. ft., respectively) and the school surcharge amount (\$7.87/sq. ft., \$8.15/sq. ft., and \$8.35/sq. ft., respectively).

⁹ Amounts shown in the table represent the highest rates, that only apply in certain areas. The fiscal 2026 amount represents \$31,301 for schools in turnover impact areas and \$28,553 for transportation in yellow and green policy areas. (In fiscal 2026, the other transportation rates are \$22,841 in orange policy areas and \$9,139 in red policy areas, and the other schools rate, in infill impact areas, is \$30,005.)

¹⁰ Amounts shown in the table represent the total of the school facilities and public safety/behavioral health amounts. The fiscal 2026 amount represents \$20,972 for school facilities and \$9,903 for public safety/behavioral health. A lower school facilities rate (\$12,220 in fiscal 2026) applies inside the beltway and to certain development near mass transit, and a lower public safety/behavioral health rate (\$3,303 in fiscal 2026) applies inside Transportation Service Area 1 as defined in the Prince George's County Approved General Plan and to certain development near mass transit.

¹¹ A lower rate (\$8,080 in fiscal 2026) applies to development inside municipalities.

Source: Department of Legislative Services

**County Development Impact Fee and Excise Tax Revenues
Fiscal 2024-2026**

County	FY 2024	FY 2025	FY 2026	FY 2024-2025		FY 2025-2026	
				Difference	% Difference	Difference	% Difference
Anne Arundel	\$26,733,231	\$15,890,000	\$18,144,000	-\$10,843,231	-40.6%	\$2,254,000	14.2%
Baltimore ¹	-	-	-	-	-	-	-
Calvert	729,097	2,650,094	634,314	1,920,997	263.5%	-2,015,780	-76.1%
Caroline	100,284	100,575	100,000	291	0.3%	-575	-0.6%
Carroll	n/a	n/a	n/a	-	-	-	-
Charles	13,399,715	14,385,288	15,574,000	985,573	7.4%	1,188,712	8.3%
Dorchester ²	0	0	75,000	0	0.0%	75,000	-
Frederick	21,569,252	18,167,170	20,106,910	-3,402,082	-15.8%	1,939,740	10.7%
Harford	2,805,000	4,241,956	6,000,000	1,436,956	51.2%	1,758,044	41.4%
Howard	16,269,060	19,400,000	20,000,000	3,130,940	19.2%	600,000	3.1%
Montgomery	15,574,734	29,464,000	13,832,000	13,889,266	89.2%	-15,632,000	-53.1%
Prince George's	52,116,000	67,780,660	48,000,000	15,664,661	30.1%	-19,780,660	-29.2%
Queen Anne's	2,863,257	2,606,546	2,629,939	-256,711	-9.0%	23,393	0.9%
St. Mary's	1,342,508	1,500,000	1,500,000	157,492	11.7%	0	0.0%
Talbot	769,787	993,000	1,602,272	223,213	29.0%	609,272	61.4%
Washington	1,143,263	2,038,226	600,000	894,963	78.3%	-1,438,226	-70.6%
Total	\$155,415,187	\$179,217,515	\$148,798,435	\$23,802,328	15.3%	-\$30,419,080	-17.0%

n/a: not available at the time of publication

¹ The county imposes a development impact surcharge on new nonresidential construction and a development impact fee on new residential construction; however, minimal revenues have been collected from the surcharge and fee to date and substantial revenues are not expected in fiscal 2026.

² The county development excise tax had been suspended since 2014, but the suspension ended in fiscal 2026.

Source: Department of Legislative Services

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Land Use - Transit-Oriented Development – Alterations
(Maryland Transit and Housing Opportunity Act)

BILL NUMBER: SB 389

PREPARED BY: Saif Ratul

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

MDOT estimates that the provisions in this legislation will generate additional redevelopment activity at transit-oriented development sites. This mixed-use development should create new economic opportunities for retail small businesses, either through new leasing opportunities or new residents and officegoers near transit stations to support small businesses. The specific scale and size of this effect are indeterminant at this time but expected to be positive.