



**Bill Title:** House Bill 1276, County Property Tax - Classifications of Real Property and Authority to Set Special Rates

**Committee:** Ways & Means

**Date:** February 27, 2020

**Position:** Unfavorable

This testimony is offered on behalf of the Maryland Multi-Housing Association (MMHA). MMHA is a professional trade association established in 1996, whose members consist of owners and managers of more than 210,000 rental housing homes in over 958 apartment communities. Our members house over 538,000 residents of the State of Maryland. MMHA also represents over 250 associate member companies who supply goods and services to the multi-housing industry.

This bill permits the Mayor and City Council of Baltimore City or the governing body of a county to set special rates for any subclass of real property that is subject to the county property tax. Those subclasses include small, large and industrial commercial real property, and residential rental property that contains at least four units built as apartments, residential condominium property, commercial or industrial condominium property.

A basic tenet of tax is to tax all parties fairly. It is contrary to public policy to have different citizens pay different tax rates based solely on whether a property is commercial or residential. Our assumption is that commercial properties will be taxed at a higher rate. Maryland is suffering a terrible housing affordability challenge. Any increase in expenses will get passed on to the end-user, the renter, further exacerbating the problem.

The bill is unclear in many respects. For instance,

- What differentiates a “small commercial” property from a “large commercial” property? Further, having such a differentiation distorts and motivates property owners to skew development and renovation plans to make sure their building fits the tax favored status, without regard to what might be the physically best building design for the neighborhood.
- Why should apartment buildings with 3 and 4 units be taxed differently than the same building on the same street that has 5 or 6 apartments, but is otherwise very similar?
- Under this bill, there are separate taxing schedules for residential homes 5,000 sq.ft. or more. Builders would be motivated to construct luxury housing units that are 4,995 sq.ft. to be in the presumably more favorable tax classification. Do we really want tax classification driving the size of type of housing that is developed?

For these reasons, MMHA therefore respectfully requests an **unfavorable report** on House Bill 1276.

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