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Legislative District 11
Baltimore County

Judicial Proceedings Committee

Joint Committee on Children, Youth,
and Families

Joint Committee on the Chesapeake
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TESTIMONY OF SENATOR SHELLY HETTLEMAN SB 369 PROPERTY TAX EXEMPTION – RENTAL INCOME – REPORTING REQUIREMENT

Tax revenue from various sources is important for any government. Municipalities, Counties, and the State each rely on tax revenue to fund vital resources and services provided to residents, including education, infrastructure, public amenities, and emergency services. In Maryland, like other states, property tax revenue is among the largest sources of tax revenue. Property taxes are forecasted to produce more than \$10 billion in fiscal year 2024 alone, accounting for more than half of total tax revenue for the State.¹

Under current statute, property tax exemptions are granted to certain properties which have certain functions, statuses, or fall within certain statutory definitions. Exempt entities are varied and exist within nearly every community throughout the State.

The Maryland Department of Assessments and Taxation (SDAT) is tasked, among other things, with the responsibility of ensuring that property is accurately assessed, and that necessary tax-related information is conveyed to state agencies and local jurisdictions for their various purposes. Tax exempt properties are not treated the same for property assessment purposes. The Department also routinely assesses properties for any value added by new additions or construction so that appropriate revenue is captured by local jurisdiction.

SB369 seeks to address a particular type of Maryland property—those which are tax exempt, but which have rental income. Properties which generate rental income do not qualify for a property tax exemption. Under current law, there still exists the ability for property tax revenue to “slip through the cracks” when rental income is involved. SB369 seeks to address this by allowing the Department to recognize any rental income value added to a tax-exempt property and ensure accuracy.

The purpose of SB369 is simple and straightforward. It does not impose new taxes or make any new properties subject to taxation. Instead, the bill simply gives the Department the necessary tools and ability to report properties that are already subject to taxation.

I urge a favorable report on SB 369. Thank you.

¹ Office of Policy Analysis, *County Revenue Outlook report - Fiscal 2024*, Department of Legislative Services (2023), <https://dls.maryland.gov/pubs/prod/InterGovMatters/LocFinTaxRte/County-Revenue-Outlook-Fiscal-2024.pdf> (last visited Jan 24, 2024).