



Support *with Amendments*: HB 002 – Authority to Set Special Tax Rates for Vacant and Abandoned Property In Baltimore

TESTIMONY OF BALTIMORE THRIVE

January 25th, 2024

Good afternoon, Chair Atterbeary and Vice Chair Wilkins in the Ways and Means Committee. Baltimore Thrive is an organization dedicated to enhancing job creation and affordable housing in Baltimore while reducing blight. We support this legislation, with amendments, for reasons stated below.

Most public officials and community leaders are quick to say, “We want to encourage more jobs and more affordable housing in our communities.” To accomplish that, incentives matter. But how does current policy treat landowners who respond affirmatively by constructing new buildings or improving existing ones?

Typically, new or improved buildings cause owners’ taxes to go up! And how does current policy treat landowners who respond to the contrary by allowing their buildings to deteriorate? Typically, deteriorating buildings cause owners’ taxes to go down! Thus, the traditional property tax punishes owners with higher taxes for creating jobs and housing while rewarding owners with lower taxes for creating blight. And as you know, owners of vacant lots pay much less property tax than neighbors with buildings, even though it costs about the same to construct, operate and maintain streets, sidewalks, sewers, water mains, etc. in front of similar-sized properties regardless of whether they are developed or vacant. **The economic incentives of the traditional property tax are upside-down and subsidize land speculation, resulting in more vacant property and blight.**

We applaud Delegate Boyce and her co-sponsors for attempting to rectify these upside-down incentives by authorizing Baltimore to impose a penalty tax on vacant or abandoned properties.

However, Baltimore Thrive knows that the Maryland General Assembly could do better. HB 002 rewards disinvestment with lower taxes until a property can be characterized as “vacant” or “abandoned.”

Only then could Baltimore potentially increase taxes on those properties. But **owners who respond by improving these properties may avoid the vacant property penalty tax only to be faced with an increase via the traditional property tax. Thus the incentives of the traditional property tax remain at cross purposes with the incentives intended for the vacant property penalty tax.**

Why not correct the entire system? Some communities have accomplished this by gradually reducing the property tax rate applied to building values while increasing the tax rate applied to land values. The lower rate applied to building values makes buildings cheaper to construct, improve and maintain over their useful lives.

This would be good for residents and businesses alike. Surprisingly, the higher rate applied to land values helps keep land prices down by reducing the profits from land speculation. Thus, without any new spending or any loss of revenue, this Tax Shift can make both buildings and land more affordable. **The Tax Shift increases taxes for owners of vacant land and boarded-up buildings.** But, **unlike the vacant property penalty tax, the Tax Shift minimizes the tax hikes associated with constructing new buildings or improving existing ones.** Many homeowners and businesses could see tax reductions as a result.

Baltimore Thrive recommends that the Committee substitute the following language for the language in HB 002.

THE MARYLAND TAX PARITY ACT OF 2024:

[MD. Tax - Property Code § 6-302](#) is amended as follows:

- Section 6-302(a) is renumbered as § 6-302(a)(1)
- A new section, § 6-302(a)(2), is inserted to read as follows:
 - "(2) If not otherwise prohibited by this article, the Mayor and City Council of Baltimore City or the governing body of each county may set special rates for any class of property that is subject to the city/county property tax."
- Section 6-302(b)(1) is amended by adding the following language after "and § 6–203 of this title":
 - " or unless otherwise provided by the Mayor and City Council of Baltimore City or the governing body of a county:"

The language recommended above would allow for a vacant property penalty tax, if Baltimore or a county wanted to pursue it. But this language would also allow for a **Tax Shift** that would provide both a carrot and a stick – and be more effective in encouraging job creation, affordable housing and blight reduction.

NOTE: MD. Tax - Property Code § 6-303 already provides this same authority to all Maryland municipalities except for Baltimore City. **There is no justifiable reason why Baltimore City or Maryland counties (governed by Code § 6-302) should not have the same tax rate setting power as other Maryland cities.** For this reason, the legislation we prefer could be referred to as the **Maryland Tax Parity Act**.

In conclusion, **Baltimore Thrive commends Delegate Boyce for recognizing the perverse incentives embedded in the traditional property tax.** However, we hope that the General Assembly will respond by enacting enabling legislation allowing Baltimore and Maryland Counties to rectify these perverse incentives for all properties – and not just partially for those at the bottom of the heap.

For more information, contact Baltimore Thrive at BaltimoreThriveVanessa@gmail.com or 410.457.3111