

**Department of Legislative Services**  
Maryland General Assembly  
2024 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 919  
Ways and Means

(Delegate Fair)

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**Property Tax - County Authority to Set Special Rates**

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This bill authorizes Baltimore City and county governments to set a special property tax rate for a subclass of real property for the purpose of financing transportation improvements or providing required funding to the local school system. The bill establishes the subclasses of real property and prohibits a special property tax rate from exceeding \$0.125 for each \$100 of assessed value. **The bill takes effect June 1, 2024, and applies to taxable years beginning after June 30, 2024.**

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Baltimore City and county property tax revenues may increase by a potentially significant amount depending on the special real property tax rates that are set for new subclasses of real property. Local expenditures are not directly affected.

**Small Business Effect:** Potential meaningful. Small businesses that own real property may be affected depending on the real property tax rates set by the local jurisdiction.

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**Analysis**

**Bill Summary:** Baltimore City and county governments can impose a special property tax rate of up to \$0.125 per \$100 of assessed value on a subclass of real property for the purposes of financing the cost of State or county transportation improvements in a special taxing district or the county's minimum school funding amount. Under the bill, real property is divided into the following subclasses of real property: (1) commercial or industrial; (2) residential rental that has at least four units built as apartments;

(3) residential, commercial, or industrial condominium; (4) property used for both residential and commercial purposes; (5) residential townhouse or rowhouse; and (6) a vacant lot or improved property cited as vacant and unfit for habitation or other authorized use on a housing or building violation notice. These subclasses are as defined by the corresponding land use codes in the *Maryland Assessment Procedure Manual*.

If Baltimore City or a county government set a special property tax rate, they must notify the State Department of Assessments and Taxation of the amount of the special tax rate and the class to which the rate applies.

### **Current Law:**

#### *Rate Setting Authority*

Title 8 of the Tax Property Article establishes the methods of property valuation and assessments and lists those classifications of property created by the General Assembly. For assessment purposes, property is divided into two classes: real property; and personal property. Real property is divided into 11 subclasses and personal property is divided into 7 subclasses. The State only imposes a property tax on real property, whereas county governments impose separate tax rates for real and personal property. State and county governments are not authorized to set separate property tax rates among different subclasses of property.

Unlike the State and county governments, municipalities have broader discretion to impose property tax rates on different classes of property. Municipalities may impose property taxes on those classes of property that it selects to be subject to the municipal property tax. In addition, municipalities retain the authority to classify property for local purposes and to impose different tax treatment on those classes. Furthermore, municipalities have the express power to exempt classes of property from taxation. Moreover, because municipalities may select the classes of property to be taxed and may set special rates for any class of property that is subject to the municipal property tax, municipalities retain the authority to levy different tax rates on selected classes of property.

Several municipalities have established a separate property class for municipal property tax purposes, including Luke in Allegany County; Cheverly, College Park, Colmar Manor, Cottage City, Forest Heights, Mount Rainier, North Brentwood, and Upper Marlboro in Prince George's County; and Pocomoke City in Worcester County.

Seven of the municipalities in Prince George's County impose a separate property tax rate for commercial real property, and two impose a separate rate for multifamily residential dwellings. Luke imposes a higher real property tax rate for commercial and rented

residential property. Pocomoke City imposes a separate property tax rate for nonowner occupied property.

### *Maintenance of Effort and Local Share*

Each year, the county government (including Baltimore City) is required to appropriate funds to the local board of education equivalent to the greater of the Maintenance of Effort (MOE) requirement or the local share amount of all wealth-equalized formulas. The per pupil MOE amount is based upon the greater of (1) the prior year full-time equivalent (FTE) enrollment and (2) the three-year moving average of FTE enrollment. The local share amount equals the local share of the foundation formula, compensatory education, English language learner, special education, comparable wage index, full-day prekindergarten, college and career ready, transitional supplemental instruction (through fiscal 2026), and career ladder grant programs. Also, counties that benefit from the compensatory education State funding floor are required to fund the local share of the concentration of poverty grant programs. However, for some counties, the combined local share across these several programs is subject to adjustments.

### *Special Taxing Districts*

Special taxing districts are defined geographic areas within which a special tax is imposed on property owners to fund infrastructure improvements or services. Most special taxing districts are created by local governments, but a small number of State-created special taxing districts also exist. A county or municipality must have enabling authority from the General Assembly to create a special taxing district.

The General Assembly has authorized counties and municipalities to create special taxing districts for many different purposes. These purposes include infrastructure improvements, commercial district management, road construction, water and sewer systems, drainage, erosion prevention and control, waterway improvement, street lighting, stormwater management, and more. The authority to create special taxing districts varies considerably among counties because some enabling statutes apply only to certain counties and not others. Municipalities have more limited authority to create special taxing districts than counties.

The enabling statutes vary greatly in the requirements that they impose for the creation and operation of special taxing districts. One particularly broad statute, codified in § 10-314 of the Local Government Article, simply authorizes charter and code counties to “establish, modify, or abolish” special taxing districts for any of the broad range of purposes listed in Title 10 of the Local Government Article. Title 21, Subtitle 5 of the Local Government Article, authorizes several counties, including Anne Arundel, Baltimore, Calvert, Caroline, Cecil, Charles, Garrett, Harford, Howard, Kent, Prince George’s, Queen Anne’s,

St. Mary's, Washington, Wicomico, and Worcester counties to create special taxing districts for infrastructure improvements.

**Local Fiscal Effect:** Baltimore City and county property tax revenues may increase by a potentially significant amount to finance State or county transportation improvements within a special taxing district or to finance the county's minimum school funding amount. The amount of the revenue increase depends on the special real property tax rates that are set by local jurisdictions, which can be up to \$0.125 per \$100 of assessment, for the new subclasses of real property that are established.

As a point of reference, **Exhibit 1** shows the estimated taxable real property assessable base for fiscal 2025 and the revenue generated by a \$0.01 increase in county real property tax rates.

**Exhibit 1**  
**Revenue from a One Cent Property Tax Rate Increase**

<b>County</b>	<b>Total Real Assessable Base</b>	<b>\$.01 Increase in Tax Rate</b>
Allegany	\$4,147,611,000	\$414,761
Anne Arundel	96,672,740,000	9,667,274
Baltimore City	46,915,729,000	4,691,573
Baltimore	101,185,342,000	10,118,534
Calvert	14,470,061,000	1,447,006
Caroline	3,205,631,000	320,563
Carroll	24,230,659,000	2,423,066
Cecil	12,796,838,000	1,279,684
Charles	24,057,996,000	2,405,800
Dorchester	3,464,767,000	346,477
Frederick	43,532,811,000	4,353,281
Garrett	5,976,179,000	597,618
Harford	33,521,663,000	3,352,166
Howard	64,497,711,000	6,449,771
Kent	3,312,005,000	331,201
Montgomery	230,084,723,000	23,008,472
Prince George's	117,063,866,000	11,706,387
Queen Anne's	10,271,106,000	1,027,111
St. Mary's	14,911,116,000	1,491,112
Somerset	1,680,423,000	168,042
Talbot	8,552,746,000	855,275
Washington	15,865,311,000	1,586,531
Wicomico	8,101,101,000	810,110
Worcester	19,479,955,000	1,947,996
<b>Total</b>	<b>\$907,998,091,000</b>	<b>\$90,799,809</b>

Source: State Department of Assessments and Taxation

Additional information on local property tax rates and revenues for Maryland counties and Baltimore City can be found in the [County Revenue Outlook Report – Fiscal 2024](#). Additional information on the county property tax base can be found in the [Local Government Overview Report](#). A copy of both reports is available on the Department of Legislative Services [website](#).

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### **Additional Information**

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

**Designated Cross File:** None.

**Information Source(s):** Baltimore, Charles, and Garrett counties; Maryland Association of Counties; Maryland State Department of Education; Department of Budget and Management; Maryland Department of Transportation; State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 26, 2024  
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