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Introduced and read first time: February 10, 2005

Assigned to: Ways and Means

A BILL ENTITLED

## 1 AN ACT concerning

## **Land Value Taxation - Funding for the Bridge to Excellence in Public Schools Act**

4 FOR the purpose of imposing an annual State tax on certain property in rate and  
5 amount sufficient to provide certain education funding; establishing separate  
6 classes for property tax purposes for land and improvements to land;  
7 establishing a new subclass of land for land that is used as a principal place of  
8 residence; exempting improvements to land from the State property tax, with  
9 certain exceptions; exempting from the State property tax certain portions of the  
10 value of agricultural land and land used as a principal place of residence;  
11 requiring the Board of Public Works to certify certain State property tax rates;  
12 repealing certain obsolete provisions of law; providing for the application of this  
13 Act; and generally relating to imposition of a State property tax for education  
14 funding and land value taxation.

15 BY repealing and reenacting, with amendments,  
16 Article - State Finance and Procurement  
17 Section 8-134  
18 Annotated Code of Maryland  
19 (2001 Replacement Volume and 2004 Supplement)

20 BY repealing and reenacting, with amendments,  
21 Article - Tax - Property  
22 Section 6-201, 6-301, 7-301, and 8-101  
23 Annotated Code of Maryland  
24 (2001 Replacement Volume and 2004 Supplement)

## Preamble

26 WHEREAS, During the 2002 Session, the General Assembly passed legislation  
27 that essentially codified the recommendations of the Commission on Education  
28 Finance, Equity, and Excellence (The Thornton Commission); and

1        WHEREAS, In order to help the State achieve the goals of the legislation that  
2 was enacted into law and entitled the "Bridge to Excellence in Public Schools Act", the  
3 General Assembly finds and declares that this Act is necessary to help generate  
4 revenues required to fund the 2002 enactment; and

5 WHEREAS, The Maryland Constitution guarantees to all Maryland school  
6 children an adequate education; and

7 WHEREAS, Article 15 of the Maryland Declaration of Rights recognizes that  
8 there are different classes of property which may be taxed -- namely land,  
9 improvements to land, and personal property; and

10 WHEREAS, What is taxed is as important as how much is taxed; and

11 WHEREAS, Land value taxation creates no negative impact on the economy  
12 and encourages efficient land use; and

13 WHEREAS, Land value is created by society and community, by natural  
14 qualities of land endowed by the Creator, and by salubrious governmental functions  
15 for the common good such that it is fitting to collect a portion of that value to be used  
16 for a common good such as the adequate education of all Maryland school children;  
17 and

18 WHEREAS, The General Assembly reaffirms its support for the principle of  
19 equal educational opportunity; now, therefore,

20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
21 MARYLAND, That the Laws of Maryland read as follows:

22 Article - State Finance and Procurement

23 8-134.

24 (a) (1) Subject to the provisions of subsection (b) of this section, on or before  
25 May 1 of each year, the Board shall certify to the governing body of each county the  
26 rates of State tax on assessable property needed:

27 (I) to meet the debt service requirements during the next taxable  
28 year on all the State bonds that the Board anticipates will be outstanding during that  
29 year; AND

30 (II) TO PROVIDE THE TOTAL FUNDING AS DETERMINED BY THE  
31 BOARD TO BE REQUIRED TO PROVIDE AN ADEQUATE EDUCATION FOR CHILDREN  
32 ATTENDING PUBLIC SCHOOLS IN THE STATE IN PREKINDERGARTEN THROUGH  
33 GRADE 12, THROUGH IMPLEMENTATION OF THE PROGRAMS COMMONLY KNOWN AS  
34 THE BRIDGE TO EXCELLENCE IN PUBLIC SCHOOLS ACT, FIRST ENACTED BY CHAPTER  
35 288 OF THE ACTS OF THE GENERAL ASSEMBLY OF 2002.

36 (2) Each governing body immediately shall collect the tax at the rates  
37 the Board certifies under this section.

1 (b) If, on or before May 1 of any year, the Comptroller certifies to the Board  
2 that the General Assembly has appropriated enough money to meet the debt service  
3 requirements during the next taxable year on an issue of State bonds:

4 (1) the Board, by resolution, may determine that the tax otherwise  
5 required by the enabling act under which those State bonds are issued need not be  
6 imposed for that year; and

7 (2) the Governor, by proclamation issued under the resolution, shall  
8 declare that the taxes otherwise required by the enabling act may not be collected  
9 during that year.

10 **Article - Tax - Property**

11 6-201.

12 (a) Except as otherwise provided in this article, the State may impose State  
13 property tax on the assessment of property that is subject to the State property tax.

14 (B) AN ANNUAL STATE TAX IS IMPOSED ON ALL ASSESSABLE PROPERTY IN  
15 THE STATE IN RATE AND AMOUNT SUFFICIENT TO PROVIDE THE TOTAL FUNDING  
16 NEEDED TO PROVIDE AN ADEQUATE EDUCATION FOR CHILDREN ATTENDING PUBLIC  
17 SCHOOLS IN THE STATE IN PREKINDERGARTEN THROUGH GRADE 12, THROUGH  
18 IMPLEMENTATION OF THE PROGRAMS COMMONLY KNOWN AS THE BRIDGE TO  
19 EXCELLENCE IN PUBLIC SCHOOLS ACT, FIRST ENACTED BY CHAPTER 288 OF THE  
20 ACTS OF THE GENERAL ASSEMBLY OF 2002.

21 [(b)] (C) The Mayor and City Council of Baltimore City or the governing body  
22 of a county is not required to pass any law to incorporate the State property tax in the  
23 property tax bill or to collect the State property tax.

24 6-301.

25 [(a)] Except as provided in subsection (b) of this section, the] THE Board of  
26 Public Works annually shall set the rates for State property tax for the next taxable  
27 year as authorized by the General Assembly.

28 [(b)] (1) Intangible personal property is subject to State property tax as  
29 otherwise provided in this title at the rate set annually by the Board of Public Works  
30 under subsection (a) of this section, if:

31 (i) the intangible personal property has paid interest or dividends  
32 during the 12 months that precede the date of finality;

33 (ii) interest or dividends were withheld on the intangible personal  
34 property during the 12 months that precede the date of finality to avoid the tax under  
35 this subsection;

36 (iii) the intangible personal property consists of newly issued bonds,  
37 certificates of indebtedness, or evidences of debt on which interest is not in default; or

1 (iv) a stock dividend has been declared on the intangible personal  
2 property during the 12 months that precede the date of finality.

3 (2) The State property tax rate for the intangible personal property may  
4 not exceed 15 cents for each \$100 of an assessment.]

5 7-301.

6 (A) All personal property is exempt from the State property tax.

7 (B) ALL IMPROVEMENTS TO LAND, EXCEPT FOR IMPROVEMENTS THAT ARE  
8 PART OF OPERATING REAL PROPERTY AS DESCRIBED IN § 8-109(B) OF THIS ARTICLE,  
9 ARE EXEMPT FROM THE STATE PROPERTY TAX.

10 (C) THE FIRST \$15,000 OF LAND VALUE FOR AGRICULTURAL LAND, AS  
11 DESCRIBED IN § 8-101(B)(1) OF THIS ARTICLE, IS EXEMPT FROM THE STATE PROPERTY  
12 TAX.

13 (D) THE FIRST \$40,000 OF LAND VALUE FOR LAND USED AS A PRINCIPAL  
14 PLACE OF RESIDENCE, AS DESCRIBED IN § 8-101(B)(7) OF THIS ARTICLE, IS EXEMPT  
15 FROM THE STATE PROPERTY TAX.

16 8-101.

17 (a) [For] CONSISTENT WITH ARTICLE 15 OF THE MARYLAND DECLARATION  
18 OF RIGHTS, FOR assessment purposes, property shall be divided into classes and  
19 subclasses.

20 (b) [Real property] LAND is a class of property and is divided into the  
21 following subclasses:

22 (1) land that is actively devoted to farm or agricultural use, assessed  
23 under § 8-209 of this title;

24 (2) marshland, assessed under § 8-210 of this title;

25 (3) woodland, assessed under § 8-211 of this title;

26 (4) land of a country club or golf course, assessed under §§ 8-212 through  
27 8-217 of this title;

28 (5) land that is used for a planned development, assessed under §§ 8-220  
29 through 8-225 of this title;

30 (6) LAND THAT IS rezoned real property that is used for residential  
31 purposes, assessed under §§ 8-226 through 8-228 of this title;

32 (7) LAND THAT IS USED AS A PRINCIPAL PLACE OF RESIDENCE;

33 [(7)] (8) LAND THAT IS USED AS operating real property of a railroad;

1 (8) (9) LAND THAT IS USED AS operating real property of a public  
2 utility; and

3 [(9)] (10) all other [real property] LAND that is directed by this article to  
4 be assessed.

5 (C) IMPROVEMENTS TO LAND IS A CLASS OF PROPERTY AND IS DIVIDED INTO  
6 THE FOLLOWING SUBCLASSES:

7 (1) IMPROVEMENTS TO LAND THAT ARE USED AS OPERATING PROPERTY  
8 OF A RAILROAD;

9 (2) IMPROVEMENTS TO LAND THAT ARE USED AS OPERATING PROPERTY  
10 OF A PUBLIC UTILITY; AND

11 (3) ALL OTHER IMPROVEMENTS TO LAND THAT ARE DIRECTED BY THIS  
12 ARTICLE TO BE ASSESSED.

13 [(c)] (D) Personal property is a class of property and is divided into the  
14 following subclasses:

15 (1) stock in business;

16 (2) distilled spirits;

17 (3) operating personal property of a railroad;

18 (4) operating personal property of a public utility that is machinery or  
19 equipment used to generate electricity or steam for sale;

20 (5) all other operating personal property of a public utility;

21 (6) machinery and equipment, other than operating personal property of  
22 a public utility, that is used to generate:

23 (i) electricity or steam for sale; or

24 (ii) hot or chilled water for sale that is used to heat or cool a  
25 building; and

26 (7) all other personal property that is directed by this article to be  
27 assessed.

28 (E) NOTHING IN THIS SECTION SHALL PREVENT LAND, IMPROVEMENTS TO  
29 LAND, AND PERSONAL PROPERTY FROM BEING TAXED AT DIFFERENT RATES FOR  
30 COUNTY PROPERTY TAX PURPOSES.

31 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
32 October 1, 2005, and shall be applicable to all taxable years beginning after June 30,  
33 2006.