SENATE BILL 652

Q1 8lr2307

By: **Senators Robey, King, and Peters**
Introduced and read first time: February 1, 2008
Assigned to: Budget and Taxation

A BILL ENTITLED

AN ACT concerning

Property Tax – Valuation of Income Producing Property

FOR the purpose of prohibiting a supervisor of assessments from considering income earned by certain tenants when using an income method to value income producing real property for property tax purposes; and generally relating to the valuation of income producing real property for property tax purposes.

BY repealing and reenacting, with amendments,
Article – Tax – Property
Section 8–105(a)
Annotated Code of Maryland
(2007 Replacement Volume)

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

Article – Tax – Property

8–105.

(a) (1) Except for land that is actively devoted to farm or agricultural use **AND EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION**, the supervisor:

(i) may value income producing real property by using the capitalization of income method or any other appropriate method of valuing the real property; and

(ii) shall consider an income method in valuing income producing commercial real property.

EXPLANATION: **CAPITALS INDICATE MATTER ADDED TO EXISTING LAW**.
[Brackets] indicate matter deleted from existing law.

(2) WHEN USING AN INCOME METHOD TO DETERMINE THE VALUE OF INCOME PRODUCING REAL PROPERTY, THE SUPERVISOR MAY NOT CONSIDER INCOME EARNED BY A TENANT UNDER A LEASE LESS THAN 99 YEARS THAT IS NOT PERPETUALLY RENEWABLE.

[(2)**] (3)** For income producing single–family residential real property, the supervisor may value the property by using the same methods that are used for single–family residential real property that is owner–occupied.

[(3)**] (4)** In determining the value of commercial real property developed under § 42 of the Internal Revenue Code, the supervisor:

(i) shall consider the impact of applicable rent restrictions, affordability requirements, or any other related restrictions required by § 42 of the Internal Revenue Code and any other federal, State, or local programs;

(ii) may not consider income tax credits under § 42 of the Internal Revenue Code as income attributable to the real property; and

(iii) may consider the replacement cost approach only if the value produced by the replacement cost approach is less than the value produced by the income approach for the property and it is reflective of the value of the real property.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2008.