

Department of Legislative Services

Maryland General Assembly

2010 Session

FISCAL AND POLICY NOTE

Senate Bill 889

(Senator Della)

Budget and Taxation

Baltimore City - Property Taxes - Vacant and Uninhabitable Real Property

This bill authorizes Baltimore City to establish, for property tax purposes, a separate subclass of real property for vacant and uninhabitable real property and to set a special property tax rate for this property. Vacant and uninhabitable real property is defined as being unoccupied by the owner or a tenant of the owner and has been cited as vacant and abandoned on a housing or building notice for at least a period of one year.

The bill takes effect June 1, 2010, and applies to taxable years beginning after June 30, 2010.

Fiscal Summary

State Effect: None.

Local Effect: Baltimore City revenues may be affected beginning in FY 2011 to the extent special property tax rates are imposed on vacant and uninhabitable property. Each one cent change in the city's property tax rate may result in a \$60,800 change in city property tax revenues. City expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: Baltimore City and county governments must, on an annual basis, set the tax rate for the next taxable year on all assessments of property subject to that jurisdiction's property tax. Except for specified circumstances, there is one county

property tax rate for real property and the rate for personal property is 2.5 time the real property rate. A municipality may impose property taxes on those classes of property that it selects to be subject to municipal property tax.

Background: The property tax is the second leading source of revenue in Baltimore City, accounting for 18.4% of total revenues in fiscal 2007. *State assistance is the leading source, accounting for 37.4% of total revenues.* Baltimore City is projected to collect \$723.5 million in property tax revenues in fiscal 2010. The city's real property tax rate is currently set at \$2.268 per \$100 of assessment.

Local Fiscal Effect: The actual effect on Baltimore City property tax revenues cannot be reliably estimated and depends on whether or not the city decides to establish a separate subclass of real property for vacant and uninhabitable property and the tax rates imposed. Depending on the subclass established and the rates imposed, revenues could increase, remain the same, or decrease.

The Mayor's Office of Information Technology has identified 13,800 vacant properties in Baltimore City with a total assessment of \$608.4 million. It is reported that 87.2% of these properties are taxable accounts, with the remaining 22.8% being tax exempt. As a point of reference, if Baltimore City increased or decreased the property tax rate by one cent, Baltimore City property tax revenues would increase or decrease by \$60,800, assuming the new rate is applied to all vacant properties.

Additional Information

Prior Introductions: None.

Cross File: HB 1096 (Delegate Hammen, *et al.*) - Ways and Means.

Information Source(s): Baltimore City, State Department of Assessments and Taxation, Property Tax Assessment Appeals Board, Department of Legislative Services

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