

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1276
Ways and Means

(Delegate Palakovich Carr, *et al.*)

County Property Tax - Classifications of Real Property and Authority to Set
Special Rates

This bill authorizes counties to set special real property tax rates for any subclass of real property that is subject to the county property tax. The bill establishes new subclasses of real property. **The bill takes effect June 1, 2020, and applies to taxable years beginning after June 30, 2020.**

Fiscal Summary

State Effect: None.

Local Effect: County property tax revenues may increase, decrease, or remain the same, depending on the real property tax rates that are set. County expenditures are not affected.

Small Business Effect: Potential meaningful. Small businesses may pay more, less, or the same in property taxes, depending on the real property tax rates set by a county.

Analysis

Bill Summary: The bill establishes the following subclasses of real property: (1) small commercial real property; (2) large commercial real property; (3) industrial real property; (4) residential rental property that contains at least four units built as apartments; (5) residential condominium property; (6) commercial or industrial condominium property; (7) real property that is used for both residential and commercial purposes, if the primary use is residential; (8) real property that is used for both residential and commercial purposes, if the primary use is commercial; (9) residential townhouse or row house property; (10) residential real property that has at least 5,000 square feet of improvements;

(11) real property that is used exclusively for residential purposes, has less than 5,000 square feet of improvements, and is not an apartment, a condominium, a townhouse, or a row house; and (12) abandoned real property.

Current Law: 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.

Background: The Maryland Municipal League reports that 13 municipalities have established a separate property class for municipal property tax purposes – Chevy Chase, Martin’s Additions, Chevy Chase View, Kensington, and Takoma Park in Montgomery County; Berwyn Heights, Cheverly, Colmar Manor, Cottage City, North Brentwood, and Upper Marlboro in Prince George’s County; Hagerstown in Washington County; and Pocomoke City in Worcester County.

The five municipalities in Montgomery County impose a separate rate for railroad or utility property. Six of the municipalities in Prince George’s County impose a separate property tax rate for commercial real property, one imposes a separate rate for vacant land, and one imposes a separate rate for multifamily residential dwellings. Hagerstown imposes a higher real property tax rate for apartment buildings. Pocomoke City imposes a separate property tax rate for nonowner occupied property.

Local Fiscal Effect: County property tax revenues may increase, decrease, or remain the same, depending on the real property tax rates that are set by each county for each subclass of real property. **Exhibit 1** shows each county’s real property tax rate and assessable base for fiscal 2021 as well as the revenue resulting from a \$0.01 increase in the real property tax rate. Additional information on local property tax rates and revenues can be found in

the [County Revenue Outlook report](#). A copy of the report is available on the Department of Legislative Services website.

Exhibit 1
County Real Property Assessable Base and Tax Rates

County	Real Property Tax Rate	Total Real Assessable Base	\$0.01 Increase in Tax Rate
Allegany	\$0.9750	\$3,531,611,000	\$353,161
Anne Arundel	0.9350	83,546,612,000	8,354,661
Baltimore City	2.2480	40,913,714,000	4,091,371
Baltimore	1.1000	87,921,899,000	8,792,190
Calvert	0.9370	12,559,523,000	1,255,952
Caroline	0.9800	2,645,156,000	264,516
Carroll	1.0180	20,472,609,000	2,047,261
Cecil	1.0414	10,512,462,000	1,051,246
Charles	1.2050	18,892,505,000	1,889,251
Dorchester	1.0000	2,842,335,000	284,234
Frederick	1.0600	32,780,390,000	3,278,039
Garrett	1.0560	4,455,146,000	445,515
Harford	1.0420	28,575,507,000	2,857,551
Howard	1.2500	54,479,648,000	5,447,965
Kent	1.0220	2,972,250,000	297,225
Montgomery	0.9907	198,817,187,000	19,881,719
Prince George's	1.3740	93,494,885,000	9,349,489
Queen Anne's	0.8471	8,529,992,000	852,999
St. Mary's	0.8478	12,631,820,000	1,263,182
Somerset	1.0000	1,366,840,000	136,684
Talbot	0.6372	7,429,411,000	742,941
Washington	0.9480	13,018,664,000	1,301,866
Wicomico	0.9346	6,484,683,000	648,468
Worcester	0.8450	16,226,321,000	1,622,632
Total		\$765,101,169,000	\$76,510,117

Source: State Department of Assessments and Taxation; Department of Legislative Services

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Baltimore City; Calvert, Caroline, Howard, Montgomery, and Prince George's counties; Maryland Association of Counties; State Department of Assessments and Taxation; Department of Legislative Services

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