

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 138

(Senator Hayes)

Budget and Taxation

Ways and Means

Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Vacant and Abandoned Property

This bill authorizes Baltimore City and county governments to establish, by law, a subclass of real property consisting of vacant lots or improved property cited as vacant and unfit for habitation or other authorized use on a housing or building violation notice. Baltimore City and county governments are authorized to set a special property tax rate for a vacant lot or improved property cited as vacant and unfit for habitation or other authorized use on a housing or building violation notice. The bill adds a specified reporting requirement for jurisdictions that enact a special property tax rate. **The bill takes effect June 1, 2024, and applies to taxable years beginning after June 30, 2024.**

Fiscal Summary

State Effect: None.

Local Effect: County property tax revenues (county governments and Baltimore City) may be affected depending on the real property tax rate that is set for vacant and abandoned property. Baltimore City and county government reporting requirements can be handled with existing resources.

Small Business Effect: Potential meaningful. Small businesses that own vacant or abandoned property may be affected depending on the real property tax rate set by Baltimore City or county governments.

Analysis

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.

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.

Local Fiscal Effect: County property tax revenues (county governments and Baltimore City) may be affected depending on the real property tax rate that is set by each jurisdiction for specified vacant and abandoned property. For fiscal 2024, the State Department of Assessments and Taxation reports that there are 242,361 vacant real property accounts statewide, excluding exempt and partially exempt accounts, with a total assessed value of \$14.1 billion.

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

<u>County</u>	<u>Total Real Assessable Base</u>	<u>\$.01 Increase in Tax Rate</u>
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
Total	\$907,998,091,000	\$90,799,809

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](#).

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 231 of 2023.

Designated Cross File: HB 2 (Delegate Boyce, *et al.*) - Ways and Means.

Information Source(s): Baltimore City; State Department of Assessments and Taxation; Department of Legislative Services

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Analysis by: Michael D. Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510