HOUSE BILL 585

Q1 5lr2177
CF 5lr2178

By: **Delegate Palakovich Carr**
Introduced and read first time: January 23, 2025
Assigned to: Ways and Means

A BILL ENTITLED

AN ACT concerning

Property Tax – Low–Income Housing Tax Credit – Valuation of Property

FOR the purpose of requiring the supervisor of assessments for a county to evaluate a certain net operating income calculation when determining the value of commercial real property that is developed under a certain provision of federal law; and generally relating to low–income housing.

BY repealing and reenacting, with amendments,
Article – Tax – Property
Section 8–105(a)
Annotated Code of Maryland
(2019 Replacement Volume and 2024 Supplement)

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, 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) 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) **(I)** In determining the value of commercial real property developed under § 42 of the Internal Revenue Code, the supervisor **SHALL EVALUATE EACH OF THE FOLLOWING**:

[(i)**]** **1.** **[**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)**]** **2.** **[**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**; AND**

3. THE ACTUAL OR ANTICIPATED NET OPERATING INCOME ATTRIBUTABLE TO THE REAL PROPERTY, CAPITALIZED AT THE PREVAILING MARKET RATE FOR CONVENTIONAL MULTIFAMILY PROPERTIES IN THE SAME GEOGRAPHIC AREA, UPWARD ADJUSTED BETWEEN 1.5% AND 2% TO ACCOUNT FOR AFFORDABILITY RESTRICTIONS AND OTHER ENCUMBRANCES REQUIRED UNDER § 42 OF THE INTERNAL REVENUE CODE.

(II) IN DETERMINING THE VALUE OF COMMERCIAL REAL PROPERTY DEVELOPED UNDER § 42 OF THE INTERNAL REVENUE CODE, THE SUPERVISOR MAY NOT CONSIDER INCOME TAX CREDITS UNDER § 42 OF THE INTERNAL REVENUE CODE AS INCOME ATTRIBUTABLE TO THE REAL PROPERTY.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2025, and shall be applicable to all taxable years beginning after June 30, 2025.