

**Department of Legislative Services**  
Maryland General Assembly  
2025 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 550 (Senators McCray and Hayes)  
Budget and Taxation

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**Baltimore City - Property Tax - Authority to Establish a Subclass and Special Rate for Property No Longer Used for Nonprofit Purposes**

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This bill authorizes Baltimore City to establish, by law, a subclass of real property consisting of real property that (1) is owned by a nonprofit organization and (2) has not been used for at least three consecutive taxable years for the purpose for which the nonprofit organization was established. Baltimore City is authorized to set a special property tax rate for these types of property. The special property tax rate may not exceed 10 times the city's real property tax rate. **The bill takes effect June 1, 2025, and applies to taxable years beginning after June 30, 2025.**

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Baltimore City property tax revenues may increase beginning in FY 2026 depending on the real property tax rate that is set for specified nonprofit properties. Baltimore City expenditures are not directly affected.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** Local property tax rates are set annually by local governments and are applied to the county and municipal assessable bases. Generally, State law does not restrict the setting of property tax rates, enabling local governments to set rates at the level required to fund governmental services. Under the Maryland Constitution, the General Assembly retains the authority to set maximum limits on the rate of property taxes in municipalities

(subject to approval at a local referendum) and in code home rule counties. However, the Department of Legislative Services is unaware of any instances in which this authority has ever been exercised. Furthermore, local government statutes may limit the tax rates that may be set.

The local property tax rate is established by each county, Baltimore City, or municipality expressed as an amount per \$100 of assessed value. The county property tax rate may be supplemented by special property tax levies for special districts. Thus, local governments have the final authority for determining how much property tax revenue is generated.

### *Property Valuation and Assessments*

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. Several county governments do not impose a personal property tax on business property.

Prior to fiscal 2025, State and county governments were not authorized to set separate property tax rates among different subclasses of property. However, Chapter 277 of 2024 authorized Baltimore City and county governments, beginning July 1, 2024, 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. An annual reporting requirement was included for jurisdictions that enact a special property tax rate.

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.

**Local Fiscal Effect:** Baltimore City property tax revenues may increase beginning in fiscal 2026 depending on the real property tax rate that is set by the city government for

specified property owned by nonprofit entities. The amount of any revenue increase will depend on the number of nonprofits that own real property that meet the restrictions imposed by the bill, the value of each property, and the special property tax rate that is set by Baltimore City.

Additional information on local property tax rates and revenues for Baltimore City and county governments can be found in the [County Revenue Outlook Report](#). Additional information on the local 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](#).

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** HB 1189 (Delegate Young, *et al.*) - Ways and Means.

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

**Fiscal Note History:** First Reader - February 14, 2025  
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