

Department of Legislative Services  
Maryland General Assembly  
2025 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 641 (Delegate Ruth)  
Ways and Means and Appropriations

---

State Property Tax - Transportation Funding (Transportation Funding Act of 2025)

---

This bill requires the Governor, after consultation with the Secretary of Transportation, to submit a proposal for a State property tax to support transportation projects and programs to the Board of Public Works (BPW) and the General Assembly. Revenue from the State property tax for transportation must be distributed to the Transportation Trust Fund (TTF). **The bill takes effect June 1, 2025, and applies to taxable years beginning after June 30, 2026.**

---

Fiscal Summary

**State Effect:** Potential significant increase in TTF revenues beginning in FY 2027, depending on the property tax rate that is set for specified transportation projects. Transportation bond capacity increases and State expenditures for transportation projects increase accordingly.

**Local Effect:** Local revenues and expenditures are not directly affected.

**Small Business Effect:** Potential meaningful. Small businesses may be affected depending on the State real property tax rate that is set for transportation projects.

---

Analysis

**Bill Summary:** The Governor, after consultation with the Secretary of Transportation, is required to submit a proposal for a State property tax to support transportation projects and programs to BPW and the General Assembly each year. The new property tax rate is in

addition to the State tax rate certified by BPW to cover debt service payments on the State's general obligation (GO) bonds.

The proposal must include (1) a revenue estimate, itemized by county, for the proposed State property tax and (2) information on the criteria used to determine any State property tax rates included in the proposal. The proposal may (1) establish classes or subclasses of property in addition to the classes established under current law; (2) include different tax rates for different classes or subclasses of property; and (3) establish boundaries, including boundaries surrounding transportation projects or transportation infrastructure, within which different tax rates may be imposed on different classes or subclasses of property.

The Governor may consider any of the following factors when determining the State property tax rates:

- The cost to maintain existing transportation infrastructure in a state of good repair within the county, class, subclass, or bounded geographic area.
- The operating costs for existing transportation programs within the county, class, subclass, or bounded geographic area.
- The transportation projects in the Consolidated Transportation Plan (CTP) within the county, class, subclass, or bounded geographic area.
- The transportation priorities identified in the county transportation priority letter for the county within which a class, subclass, or bounded geographic area is located.
- The potential disparate impact or disproportionate burden on property owners within a county, class, subclass, or bounded geographic area for which a separate property tax rate is proposed.
- The potential environmental or economic benefits of a transportation project proposed to be funded in a county, class, subclass, or bounded geographic area for which a separate property tax rate is proposed.

BPW must approve, reject, or modify the proposed State property tax for transportation by February 15 each year. The estimated revenue from the State property tax for transportation may not (1) exceed the estimated revenue attributable to the State property tax rate certified by BPW or (2) result in properties in a single county paying more than 25% of the estimated total additional revenue attributable to the State property tax for transportation. The Comptroller must distribute revenue from the State transportation property tax to TTF.

**Current Law:** The State property tax rate is established annually by BPW, which is required by law to set a rate necessary to pay debt service on State GO bonds, except to the extent that funds are provided from other sources. The current State real property tax rate is \$0.112 per \$100 of assessment. The fiscal 2026 budget assumes \$1.1 billion in State property tax revenues to the Annuity Bond Fund. In addition, \$181.7 million in general

funds are budgeted to the Annuity Bond Fund, since the State property tax rate is not set high enough to cover the full cost of the debt service payments on the State's GO bonds.

### **Property Taxes at the Local Level**

The property tax is one of the three major revenue sources for county and municipal governments in Maryland. In fiscal 2023, local property tax collections totaled \$10.4 billion, representing 24.2% of county revenues and 31.6% of municipal revenues. In terms of local tax revenues, the property tax is the largest revenue source for both county and municipal governments, accounting for 49.8% of total county tax revenues and 74.8% of total municipal tax revenues. Property tax collections are affected by each jurisdiction's tax rate and assessable base amount. At the county government level, real property tax rates range from \$0.791 per \$100 of assessed value in Talbot County to \$2.248 in Baltimore City. For individuals residing within a municipality, local property tax rates include both the county and municipal rates which in several jurisdictions can total almost \$2.00 per \$100 of assessed value.

Information on local property tax rates in Maryland is provided in the *Local Government Overview Report*, which can be found on the Department of Legislative Services (DLS) [website](#). The report includes an [exhibit](#) that shows the combined county and municipal property tax rate for each jurisdiction as well as an [exhibit](#) that compares the combined property tax rate for the largest municipalities in the State.

**State Fiscal Effect:** TTF revenues may increase by a significant amount beginning in fiscal 2027 depending on whether BPW approves a State property tax rate for transportation projects and programs. As a point of reference, **Exhibit 1** shows two potential revenue scenarios for a new State transportation property tax rate. The first scenario imposes the tax on all real property accounts, which would generate approximately \$94.2 million (based on fiscal 2025 assessment data) for each *one cent* on the State property tax rate. The second scenario imposes the tax on only commercial and industrial property accounts which would generate approximately \$17.3 million (based on fiscal 2025 assessment data) for each *one cent* on the State property tax rate. Assuming the additional TTF revenues from the State property tax are used to support the debt service for capital projects, the bond capacity for the Maryland Department of Transportation (MDOT) will increase. Based on a *one cent* property tax rate on all real property accounts, MDOT bond capacity increases by \$385 million and overall TTF revenues increase by approximately \$708 million over the four-year forecast period (fiscal 2027 through 2030).

**Exhibit 1**  
**State Fiscal 2025 Estimated Real Assessable Base**  
**July 1, 2024**

<b>County</b>	<b>Total Real Assessable Base</b>	<b>\$0.01 Increase In Tax Rate</b>	<b>Commercial/Industrial Assessable Base</b>	<b>\$0.01 Increase In Tax Rate</b>
Allegany	\$4,269,937,000	\$426,994	\$1,041,355,000	\$104,136
Anne Arundel	107,482,346,000	10,748,235	18,710,375,000	1,871,038
Baltimore City	48,900,707,000	4,890,071	17,436,652,000	1,743,665
Baltimore	103,744,955,000	10,374,496	20,404,961,000	2,040,496
Calvert	14,514,199,000	1,451,420	1,458,785,000	145,879
Caroline	3,315,146,000	331,515	393,917,000	39,392
Carroll	24,666,577,000	2,466,658	2,792,227,000	279,223
Cecil	12,895,255,000	1,289,526	3,047,650,000	304,765
Charles	24,249,184,000	2,424,918	3,079,250,000	307,925
Dorchester	3,552,419,000	355,242	609,720,000	60,972
Frederick	44,950,072,000	4,495,007	7,200,147,000	720,015
Garrett	6,056,712,000	605,671	509,446,000	50,945
Harford	34,013,040,000	3,401,304	5,751,705,000	575,171
Howard	65,526,857,000	6,552,686	11,150,862,000	1,115,086
Kent	3,344,892,000	334,489	399,839,000	39,984
Montgomery	231,095,703,000	23,109,570	41,481,226,000	4,148,123
Prince George's	127,344,551,000	12,734,455	24,037,323,000	2,403,732
Queen Anne's	10,548,899,000	1,054,890	1,068,620,000	106,862
St. Mary's	15,359,106,000	1,535,911	1,716,970,000	171,697
Somerset	1,682,117,000	168,212	256,982,000	25,698
Talbot	9,857,641,000	985,764	1,105,103,000	110,510
Washington	16,590,910,000	1,659,091	4,569,063,000	456,906
Wicomico	8,323,760,000	832,376	1,493,649,000	149,365
Worcester	20,037,609,000	2,003,761	2,980,725,000	298,073
<b>Total</b>	<b>\$942,322,594,000</b>	<b>\$94,232,259</b>	<b>\$172,696,551,000</b>	<b>\$17,269,655</b>

Source: State Department of Assessments and Taxation

The bill authorizes the new State property tax rate to be used for various State and local transportation projects including to maintain existing transportation infrastructure; to pay the operating costs for existing transportation programs; to fund projects in the CTP; and to support local transportation priorities. Each year MDOT prepares a report that evaluates the performance of the State transportation system and outlines the progress toward reaching the four key goals outlined in the department's Maryland Transportation Plan. According to the [2025 Annual Attainment Report](#), there were \$3.8 billion in projects that were still unfunded from the state of good repair backlog in fiscal 2024 compared to \$2.2 billion in fiscal 2023.

For additional information about MDOT and State funding for transportation projects, see DLS, [Maryland Department of Transportation Fiscal 2026 Budget Overview](#).

---

### **Additional Information**

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

**Designated Cross File:** None.

**Information Source(s):** Baltimore, Charles, Garrett, and Howard counties; Maryland Association of Counties; Comptroller's Office; Board of Public Works; Maryland Department of Transportation; State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 9, 2025  
rh/hlb

---

Analysis by: Michael Sanelli

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