

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 942
Ways and Means

(Delegate Schindler)

Budget and Taxation

Economic Development - Tax Increment Financing - Noncontiguous Areas

This bill authorizes the governing body of a political subdivision to designate, by resolution, a noncontiguous “blighted area” within its jurisdiction as a development district for purposes of the Tax Increment Financing Act. The governing body must limit the redevelopment of the noncontiguous parcels for affordable housing that is deed-restricted to households whose income does not exceed 80% of the area median income. “Blighted area” means an area in which a majority of buildings have declined in productivity by reason of obsolescence, depreciation, or other causes to an extent that they no longer justify fundamental repairs and adequate maintenance. The bill does not apply to Baltimore City.

Fiscal Summary

State Effect: The bill is not anticipated to materially affect State finances or operations.

Local Effect: Local revenues and expenditures increase beginning as early as FY 2026, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Current Law: All counties and municipalities in Maryland, except Baltimore City, are authorized to utilize tax increment financing (TIF) under Title 12, Subtitle 2 of the Economic Development Article (the Tax Increment Financing Act). In Baltimore City, the authority to use TIF is provided in the city charter. Counties and municipalities (including Baltimore City) may issue bonds to finance the development of an industrial, commercial, or residential area.

TIF is a public financing method that uses future gains in tax revenues to finance current improvements. The increase in the property tax revenue generated by new commercial development in a specific area, the TIF district, pays for bonds issued to finance site improvements, infrastructure, and other project costs located on public property. In a TIF district, the local government “freezes” the existing property tax base and uses the property tax revenue from this base as it would normally use such funds. The difference between the current tax base and the frozen base in each future year is termed the incremental valuation. The local government apportions the property tax revenue on the incremental valuation to a special account for certain purposes, including to pay debt service on the bonds and to potentially pay for additional public expenditures in the TIF district. The TIF district ceases to exist upon the retirement of the bonds, and after that time, all property tax revenue may be appropriated by normal means.

Except for Baltimore City, which has TIF authority under its charter, a development district must be a contiguous area. Authority to issue bonds under the Tax Increment Financing Act is generally limited to the local governing body, although the revenue authority of Prince George’s County may issue bonds in accordance with an ordinance adopted by the governing body of the county, and local revenues may be pledged to debt issued by the Maryland Economic Development Corporation in specified circumstances.

Generally, low-income housing is not a specifically authorized use of bond proceeds under the Tax Increment Financing Act; however, in a sustainable community or a Regional Institution Strategic Enterprise (“RISE”) Zone, TIF bond proceeds may be used for affordable or mixed-income housing, among other additional purposes.

Local Fiscal Effect: The bill expands the authority of local governments under the Tax Increment Financing Act to include noncontiguous blighted areas, which may increase overall use of the Act to facilitate development in those areas, subject to the requirement that the redevelopment be limited to affordable housing. Accordingly, local revenues increase beginning as early as fiscal 2026 from TIF bond revenues and, eventually, from taxes associated with the development. Local expenditures increase beginning as early as fiscal 2026 as bond proceeds are used for authorized purposes, including development-related expenditures and debt service payments on TIF bonds.

Small Business Effect: Small businesses in and adjacent to blighted areas potentially benefit from additional spending by local governments under the Tax Increment Financing Act. Small businesses that provide residential construction and related services also potentially benefit from additional demand for their services.

Additional Information

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

Designated Cross File: None.

Information Source(s): Department of Housing and Community Development; Department of Commerce; Baltimore City; Calvert and Prince George's counties; Maryland Municipal League; Department of Legislative Services

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