

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 472

(Senator Rosapepe)

Budget and Taxation

**Property Tax - Improvements to Property Adjacent to Rail Stations - Subclass,
Special Rate, and Penalty**

This bill authorizes Baltimore City and county governments to establish, by law, a subclass of real property consisting of improvements to real property located within one mile of a rail station. Baltimore City and county governments are authorized to set a special property tax rate for these properties, with the rate not exceeding the county real property tax rate. Local governments are authorized to set a tax penalty against the total tax liability on improvements for these real properties for late payment. The criteria for imposing the penalty must be established by the local government. Penalties collected are divided between the Transportation Trust Fund (TTF) and the local jurisdiction that imposes the penalty. **The bill takes effect June 1, 2025, and applies to taxable years beginning after June 30, 2025.**

Fiscal Summary

State Effect: TTF revenues may increase beginning in FY 2026 to the extent penalties are assessed against improvements to real property located within one mile of a rail station in the State. State expenditures are not directly affected.

Local Effect: Local property tax revenues (Baltimore City and county governments) may be affected depending on the real property tax rate that is set for improvements to real property located within one mile of a rail station. Local government revenues may increase to the extent tax penalties are assessed. Local expenditures are not directly affected.

Small Business Effect: Potential meaningful. Small businesses that own property within one mile of a rail station may be affected depending on the real property tax rate set by Baltimore City or county governments.

Analysis

Bill Summary: A rail station is defined as a present or planned passenger rail station in the State and includes: (1) a MARC station along the Penn, Camden, or Brunswick lines; (2) a Baltimore Metro SubwayLink Station; (3) a Baltimore Light RailLink Station; and (4) a Metrorail system station in the State.

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 (DLS) 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.

State Fiscal Effect: The bill requires any tax penalties imposed on improvements to real property located within one mile of a rail station be split evenly between TTF and the local government that imposes the penalty. As a result, TTF revenues increase beginning in fiscal 2026, depending on the number and amount of tax penalties that are imposed by local jurisdictions.

Local Fiscal Effect: Local property tax revenues (Baltimore City and county governments) may be affected depending on the real property tax rate that is set by each jurisdiction for specified improvements to real property located within one mile of a rail station. Due to the cap on the special tax rate (limited to the county real property tax rate), local property tax revenues will most likely decrease under the authority granted by the bill. The amount of the revenue decrease will depend on the number of improvements and the value of each that are located within one mile of a rail station, and the special property tax rate set by each local government. Local government revenues may increase to the extent that additional penalties are assessed for late property tax payments.

As a point of reference, there are 111 rail stations located in the State including:

- 38 MARC stations along the Penn, Camden, and Brunswick lines;
- 14 Baltimore Metro SubwayLink stations;
- 33 Baltimore Light RailLink stations; and
- 26 Metrorail system stations.

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

Additional Information

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

Designated Cross File: HB 330 (Delegate Stewart) - Ways and Means and Environment and Transportation.

Information Source(s): Baltimore City; Montgomery and Prince George's counties; Maryland Association of Counties; Maryland Municipal League; Maryland Department of Transportation; State Department of Assessments and Taxation; Department of Legislative Services

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