

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

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

House Bill 23

Ways and Means

(Delegate Fair, *et al.*)

Budget and Taxation

---

**Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property**

---

This bill authorizes Baltimore City and county governments to establish, by law, a subclass of improved real property consisting of the following real property assessment codes: (1) commercial; (2) industrial; (3) commercial/industrial condominium; (4) residential/commercial; and (5) commercial/residential. Baltimore City and county governments are authorized to set a special property tax rate for these real property classifications. The bill mandates either a property tax exemption or property tax credit for residential portions of commercial or industrial property. The bill authorizes a local property tax credit for specified small businesses. The bill adds a reporting requirement for jurisdictions that enact a special property tax rate. **The bill takes effect June 1, 2025, and applies to taxable years beginning after June 30, 2025.**

---

**Fiscal Summary**

**State Effect:** None.

**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 commercial or industrial property. Local government reporting requirements can be handled with existing resources.

**Small Business Effect:** Potential meaningful. Small businesses that own commercial or industrial property may be affected depending on the real property tax rate set by Baltimore City or county governments.

---

## Analysis

**Bill Summary:** Baltimore City and county governments may only impose a special property tax rate: (1) within a special taxing district established for the purpose of financing the cost of specified State or county transportation improvements; or (2) on a countywide basis for the purpose of funding the approved budget of the county board of education.

A special rate (1) must be in addition to the general real property tax rate; (2) may not exceed a combined total of \$0.125 for each \$100 of assessed value for both authorized purposes; and (3) may not apply to the residential portion of a specified mixed-use property that receives either an exemption from the special rate or a credit against the special rate. If Baltimore City or a county set a special rate, they must grant either (1) a credit against the special rate for the entire residential portion of a mixed-use property or (2) an exemption from the special rate for the entire residential portion of a mixed-use property.

### *Property Tax Credit or Exemption*

A county may calculate the property tax credit or exemption (1) as a percentage of a mixed-use property's special tax liability that is equal to the percentage of the total square footage of the property that is used for residential purposes; (2) as a percentage of a mixed-use property's special tax liability that is equal to the percentage of the total income produced by the property that is derived from residential use; or (3) using any other reasonable method that ensures the entire residential portion of a mixed-use property is not subject to the special rate.

The credit or exemption continues for as long as the special rate is in effect. A county must automatically grant the credit or exemption without requiring an application from the property owner if, based on publicly available records, the county is able to: (1) identify a mixed-use property that is subject to the special rate; and (2) calculate the credit or exemption due for the residential portion of that mixed-use property. If, based on publicly available records, a county is able to identify a mixed-use property that is subject to the special rate but has insufficient information to calculate the credit or exemption due for the residential portion of that mixed-use property, the county may request additional information from the owner of the mixed-use property to enable the county to calculate the credit or exemption due. If an owner of a mixed-use property does not provide the information requested to calculate the credit or exemption due, the county is not required to grant the credit or exemption to that mixed-use property.

### *Applications and Notice*

Baltimore City and counties must accept applications for the exemption or credit from an owner of a mixed-use property that is not automatically granted an exemption.

Baltimore City and counties must provide written notice of the exemption or credit to the owner of each property that is subject to the special rate and is not automatically granted an exemption or credit. The notice must include (1) a description of the exemption or credit; and (2) instructions on how to apply for the exemption or credit. Baltimore City and counties may provide for (1) regulations and procedures for the application and uniform processing of requests for the exemption or credit and (2) any other provision necessary to carry out the exemption or credit.

#### *Small Business Property Tax Credit*

If Baltimore City or a county set a special property tax rate, Baltimore City or a county may grant a property tax credit against the special rate imposed on real property owned or leased by a business that employs 15 or fewer employees. Baltimore City and counties may provide for (1) the amount and duration of the tax credit; (2) additional eligibility requirements for the tax credit; (3) procedures for the application and uniform processing of requests for the tax credit; and (4) any other provision necessary to carry out the tax credit.

**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 Classification for Assessment Purposes*

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:** Local property tax revenues for Baltimore City and county governments may be affected depending on the real property tax rate that is set by each jurisdiction for specified commercial or industrial property. Based on information from the State Department of Assessments and Taxation, for fiscal 2025, there are 78,268 various improved commercial and industrial properties with an assessed value of approximately \$167.5 billion and 22,995 vacant commercial and industrial properties with an assessed value of approximately \$5.9 billion.

As a point of reference, **Exhibit 1** shows the estimated taxable real property assessable base for commercial and industrial property for fiscal 2025 and the potential revenue generated by various increases in county real property tax rates. The revenue impact reflects partial exemptions for property accounts designated as residential commercial and commercial residential. For each 1.0 cent increase in the real property tax rate on commercial and industrial property, local property tax revenues could increase by \$17.3 million. Based on a maximum combined 12.5 cent additional tax rate, local revenues could increase by \$215.9 million. The actual revenue increase may be lower due to the level of property tax exemptions and credits provided to both small businesses and other affected properties.

---

**Exhibit 1**  
**Potential Increase in County Revenues from Various Tax Rates for Commercial and Industrial Property**

<b><u>County</u></b>	<b>FY 2025 Assessable Base</b>	<b>\$0.01 Increase in Tax Rate</b>	<b>\$0.125 Increase in Tax Rate</b>
Allegany	\$1,041,355,000	\$104,136	\$1,301,694
Anne Arundel	18,710,375,000	1,871,038	23,387,969
Baltimore City	17,436,652,000	1,743,665	21,795,815
Baltimore	20,404,961,000	2,040,496	25,506,201
Calvert	1,458,785,000	145,879	1,823,481
Caroline	393,917,000	39,392	492,396
Carroll	2,792,227,000	279,223	3,490,284
Cecil	3,047,650,000	304,765	3,809,563
Charles	3,079,250,000	307,925	3,849,063
Dorchester	609,720,000	60,972	762,150
Frederick	7,200,147,000	720,015	9,000,184
Garrett	509,446,000	50,945	636,808
Harford	5,751,705,000	575,171	7,189,631
Howard	11,150,862,000	1,115,086	13,938,578
Kent	399,839,000	39,984	499,799
Montgomery	41,481,226,000	4,148,123	51,851,533
Prince George's	24,037,323,000	2,403,732	30,046,654
Queen Anne's	1,068,620,000	106,862	1,335,775
St. Mary's	1,716,970,000	171,697	2,146,213
Somerset	256,982,000	25,698	321,228
Talbot	1,105,103,000	110,510	1,381,379
Washington	4,569,063,000	456,906	5,711,329
Wicomico	1,493,649,000	149,365	1,867,061
Worcester	2,980,725,000	298,073	3,725,906
<b>Total</b>	<b>\$172,696,551,000</b>	<b>\$17,269,655</b>	<b>\$215,870,690</b>

Source: State Department of Assessments and Taxation; Department of Legislative Services

---

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 Department of Legislative Services [website](#).

## Additional Information

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

**Designated Cross File:** None.

**Information Source(s):** Baltimore City; Prince George's County; Maryland Association of Counties; State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - January 26, 2025  
caw/hlb Third Reader - March 25, 2025  
Revised - Amendment(s) - March 25, 2025

Analysis by: Michael Sanelli

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