

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 814

(Senator Watson, *et al.*)

Budget and Taxation

Environment and Transportation

Local Government - Development Impact Fees, Surcharges, and Excise Taxes - Reporting

This bill requires, by July 1, specified counties to annually report information regarding the collection and use of development impact fees, surcharges, and excise taxes to the Maryland Department of Planning (MDP). By July 1, 2026, specified counties must also submit a report to MDP identifying any local laws that authorize the collection and expenditure of development impact fees, surcharges, or excise taxes. After July 1, 2026, specified counties must submit a report to MDP each time the county enacts or amends a local law that authorizes the collection and expenditure of development impact fees, surcharges, or excise taxes.

Fiscal Summary

State Effect: The bill does not materially affect State operations or finances.

Local Effect: Local governments can comply with the bill's reporting requirements with existing resources. Local government operations and finances are not materially affected.

Small Business Effect: None.

Analysis

Bill Summary: The bill applies to (1) a charter county that imposes development fees, surcharges, or excise taxes; (2) a code county with public local laws requiring the payment of development impact fees, surcharges, or excise taxes; or (3) a commission county that has been authorized to enact development impact fees, surcharges, or excise taxes and has enacted, by local law, development impact fees, surcharges, or excise taxes.

By July 1, each county must annually report to MDP the following information relating to the collection and expenditure of development impact fees, surcharges, or excise taxes over the prior year:

- the total amount of development impact fees, surcharges, or excise taxes paid by new construction or development projects;
- the portion of the development impact fees, surcharges, or excise taxes paid to the county;
- the address and location of the development within the county where the impact fees, surcharges, or excise taxes were derived; and
- the portion of development impact fees, surcharges, or excise taxes used to fund capital improvement projects that are related to transportation improvements or maintenance, school construction or maintenance, or any other capital improvement project that received funding from development impact fees, surcharges, or excise taxes, as specified.

A county must make the report publicly available on the county's website or other reasonable means if the county does not maintain a website. A county may submit the report as part of another required report under the Local Government Article.

Current Law: Local governments must have authority from the General Assembly in order to impose a development impact fee or excise tax. Code home rule counties are authorized as a group to impose specified impact fees and excise taxes, and a number of other counties have specific authorizations from the General Assembly. Currently, 15 counties in Maryland impose development impact fees or excise taxes, with estimated revenue collections totaling \$186.3 million in fiscal 2025. While authorized to impose a development excise tax, Dorchester County has suspended the collection of excise tax revenues since fiscal 2014. The suspension was most recently extended through June 30, 2025, by actions from the county council.

The **Appendix – Development Impact Fees and Excise Taxes** provides information on the tax rates imposed by Maryland counties and the associated revenues generated in fiscal 2023 through 2025. The statutory authority for a county to impose a development impact fee or excise tax is provided in the [Guide to Local Government Taxing Authority](#), which is available on the Department of Legislative Services [website](#).

Development Impact Fee

A development impact fee is a regulatory measure designed to fund facilities specifically required by new development projects in order to mitigate the impact of such development on infrastructure or public facilities. However, there must be a reasonable connection

between the amount of the impact fee imposed and the actual cost of providing facilities to the properties assessed. In order to justify the imposition of an impact fee, a jurisdiction must conduct a study that measures the effects that new development will have on public facilities. The amount of an impact fee is subject to judicial review. Moreover, the revenue from the fee must be dedicated to substantially benefit the assessed properties. Thus, a county cannot collect an impact fee in one geographic area and spend the funds in another area.

Development Excise Tax

A development excise tax is another means of raising revenue from new development. Unlike a regulatory impact fee, the amount of an excise tax does not have to be closely related to the actual cost of providing public facilities to serve new development. In addition, excise tax revenues do not have to be spent to specifically benefit the properties that are taxed but may generally be spent throughout the county.

Collection and Uses of Development Impact Fees and Excise Taxes

The impact fee amounts and excise tax rates are generally established in the county implementing ordinance for the impact fee or excise tax or by county resolution. In some cases, limits on the fees or rates are set in the General Assembly authorization for the fee or tax. Different fees and rates often apply to different types of development and, in some cases, development in different areas of the county. Exemptions and/or waivers or deferrals are often available for certain types of development, such as affordable housing. A number of counties also allow certain conveyances or dedications of land or construction of public facilities by the developer to substitute for payment of the fee or tax.

In counties that impose development impact fees and excise taxes, the charges are collected by the county and are often required to be paid before a building permit or zoning certificate is issued. Municipalities may, in some cases, assist counties in the collection of the charges within their jurisdictions. In a given county, other charges imposed on new development (while not accounted for here as development impact fees or excise taxes) may also be directed partially or wholly toward new or expanded facilities (e.g., water/sewer system development charges or connection charges).

Public services funded by development impact fees and excise taxes include public school construction, libraries, community colleges, transportation, public safety, parks and recreation, and utilities. Statutory restrictions on allowable uses of the impact fee and excise tax revenue vary by jurisdiction. Use of the revenue for creation or expansion of public facilities rather than for maintenance or operations of existing facilities is often required. Some county ordinances also require that the additional or expanded facilities

benefit the development from which the revenue was generated or benefit a defined district or area in which the development is located.

Additional Information

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

Designated Cross File: HB 698 (Delegate Allen, *et al.*) - Environment and Transportation.

Information Source(s): Baltimore, Cecil, and Montgomery counties; Maryland Association of Counties; Department of Legislative Services

Fiscal Note History: First Reader - February 9, 2025
caw/tso
Third Reader - March 24, 2025
Revised - Amendment(s) - March 24, 2025

Analysis by: Kayvon Samadani

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

Appendix – Development Impact Fees and Excise Taxes

This appendix compiles information on (1) the development impact fees and excise taxes imposed by Maryland counties and (2) the revenues generated by the fees/taxes. Development impact fees and excise taxes enable local governments to collect revenue for new or expanded public facilities or services necessitated by new residential or commercial development, shifting the costs of financing the new or expanded facilities/services from existing taxpayers to those responsible for the development.

The county development impact fees and excise taxes included in this appendix are those charges generally identified as development impact fees or excise taxes, or a variation of those terms (in some cases “surcharge” or “impact tax” is used). This appendix does not include all charges imposed on new development to generate revenue to cover costs of new or expanded public facilities/services, however. Some jurisdictions also impose water- and sewer-related charges (such as capital connection charges or system development charges), and/or mitigation payments based in the county’s adequate public facilities ordinance, that generate revenue for new or expanded public facilities/services. While not focused on in this appendix, a number of Maryland’s municipalities also impose impact fees or similar charges on new development to generate revenue for public facilities or services they provide.

The first table below shows the counties’ fee amount or tax rate for a single-family detached home in each of fiscal 2023, 2024, and 2025.

The second table shows actual or projected/estimated revenues from counties’ development impact fees and excise taxes for fiscal 2023, 2024, and 2025. This table is based primarily on information provided by the counties in response to the Department of Legislative Services’ (DLS) and the Maryland Association of Counties’ *FY 2025 Local Government Budget and Tax Rate Survey* conducted during summer 2024, supplemented by DLS follow up with certain counties. The extent to which the revenue amounts are actual vs. projected/estimated varies. The fiscal 2023 amounts are actual revenue amounts, and the fiscal 2024 and 2025 amounts are projected/estimated revenues in most cases; in limited cases, some counties were able to provide actual fiscal 2024 revenue amounts.

County Development Impact Fees and Excise Tax Rates¹ Fiscal 2023-2025

County	FY 2023	FY 2024	FY 2025
Anne Arundel ²	\$15,455	\$16,217	\$16,636
Baltimore ³	1.5% of gross sales price	1.5% of gross sales price	\$6.00/sq. ft.
Calvert	12,950	12,950	12,950
Caroline	5,000	5,000	5,000
Carroll ⁴	533	3,533	3,533
Charles	19,434	20,330	21,351
Dorchester ⁵	0	0	0
Frederick ⁶	16,668	17,961	18,851
Harford ⁷	6,000	6,000	10,000
Howard ⁸	\$7.85/sq. ft.	\$9.17/sq. ft.	\$10.05/sq. ft.
Montgomery ⁹	46,954	56,274	56,274
Prince George's ¹⁰	27,825	29,188	30,180
Queen Anne's	\$5.85/sq. ft.	\$5.85/sq. ft.	\$5.85/sq. ft.
St. Mary's ¹¹	1,957	6,697	6,697
Talbot ¹²	9,091	9,091	9,091
Washington	\$1.00/sq. ft.	\$1.00/sq. ft.	\$1.00/sq. ft.

¹Fees/rates listed are generally those applicable to single-family detached dwellings and are per dwelling unless otherwise indicated.

²Rates are for a 2,000-2,499 square foot residential unit. Residential rates vary by the square footage of a unit.

³Baltimore County Bill 45-24 established a \$6.00 per square foot development impact fee for residential development effective August 25, 2024.

⁴The schools portion of the impact fee was increased from \$0 to \$3,000, making the total impact fee \$3,533, effective September 1, 2023.

⁵The county development excise tax has been suspended since 2014. The suspension was most recently extended through June 30, 2025, by Bill No. 2024-6. See also § 144-36.1 of the county code.

⁶The rates shown reflect the public school and library impact fee total.

⁷The impact fee is increased from \$6,000 to \$10,000 – effective March 1, 2025 – pursuant to Bill No. 24-033.

⁸Fiscal 2023, 2024, and 2025 amounts represent the total of the roads tax amount (\$1.60/sq. ft., 1.67/sq. ft., and 1.90/sq. ft, respectively) and the school surcharge amount (\$6.25/sq. ft., \$7.50/sq. ft, and \$8.15/sq. ft, respectively).

⁹Amounts shown in the table represent the highest rates, that only apply in certain areas. Fiscal 2024 and Fiscal 2025 amounts represent \$26,084 for schools in turnover impact areas and \$30,190 for transportation in yellow and green policy areas. (In fiscal 2024 and 2025, the other transportation rates are \$24,151 in orange policy areas and \$9,663 in the red policy areas, and the other schools rate, in infill impact areas, is \$25,004.)

¹⁰Amounts shown in the table represent the total of the school facilities and public safety/behavioral health amounts. Fiscal 2025 amount represents \$20,500 for school facilities and \$9,680 for public safety/behavioral health. A lower school facilities rate (\$11,950 in fiscal 2025) applies inside the beltway and to certain development near mass transit and a lower public safety/behavioral health rate (\$3,229 in fiscal 2025) applies inside the Transportation Service Area 1 as defined in the Prince George's County Approved General Plan and to certain development near mass transit.

¹¹Impact fee rates for fiscal 2023 are for a dwelling of 1,200 to 2,399 square feet. Rates vary by the square footage of a unit. Beginning July 1, 2023, the county switched from the development impact fee to a building excise tax of \$6,697 for single family residential units.

¹²A lower rate (\$7,852 in fiscal 2023, 2024 and 2025) applies to development inside municipalities.

Source: Department of Legislative Services

County Development Impact Fee and Excise Tax Revenues
Fiscal 2023-2025

County	FY 2023	FY 2024	FY 2025	FY 2023-2024		FY 2024-2025	
				Difference	% Difference	Difference	% Difference
Anne Arundel	\$21,695,583	\$20,736,500	\$24,600,000	-\$959,083	-4.4%	\$3,863,500	18.6%
Baltimore ¹	-	-	-	-	-	-	-
Calvert	1,087,576	2,277,304	2,650,094	1,189,728	109.4%	372,790	16.4%
Caroline	121,948	140,284	100,575	18,336	15.0%	-39,709	-28.3%
Carroll	138,301	357,447	330,000	219,146	158.5%	-27,447	-7.7%
Charles	12,364,046	13,399,715	14,290,900	1,035,668	8.4%	891,185	6.7%
Dorchester ²	0	0	0	0	0.0%	0	0.0%
Frederick	21,822,810	23,570,448	18,167,170	1,747,638	8.0%	-5,403,278	-22.9%
Harford	1,779,600	2,805,000	2,100,000	1,025,400	57.6%	-705,000	-25.1%
Howard	22,860,106	14,800,000	19,400,000	-8,060,106	-35.3%	4,600,000	31.1%
Montgomery	27,470,894	40,525,000	42,497,000	13,054,106	47.5%	1,972,000	4.9%
Prince George's	62,353,370	52,089,555	54,000,000	-10,263,815	-16.5%	1,910,445	3.7%
Queen Anne's	2,921,123	2,687,011	2,703,390	-234,112	-8.0%	16,379	0.6%
St. Mary's	411,707	3,880,531	3,880,531	3,468,824	842.5%	0	0.0%
Talbot	1,291,989	521,500	993,000	-770,489	-59.6%	471,500	90.4%
Washington	4,910,584	1,511,973	600,000	-3,398,611	-69.2%	-911,973	-60.3%
Total	\$181,229,637	\$179,302,268	\$186,312,660	-\$1,927,370	-1.1%	\$7,010,392	3.9%

¹The county imposes a development impact surcharge on new nonresidential construction and a development impact fee on new residential construction; however, minimal revenues have been collected from the surcharge and fee to date and substantial revenues are not expected in fiscal 2025.

²The county development excise tax has been suspended since 2014. The suspension was most recently extended through June 30, 2025, by Bill No. 2024-6. See also § 144-36.1 of the county code.

Source: Department of Legislative Services