

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

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 814

(Senator Watson, *et al.*)

Budget and Taxation

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

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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 Governor and General Assembly.

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**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.

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**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 the Governor and the General Assembly 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 by legislative, councilmanic, or commissioner district in which the construction or development project that is subject to the fee, surcharge, or tax is located; and
- the portion of development impact fees, surcharges, or excise taxes used to fund capital improvement projects in the legislative, councilmanic, or commissioner district 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  
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Analysis by: Kayvon Samadani

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

## Appendix – Development Impact Fees and Excise Taxes

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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 Rates<sup>1</sup>**  
**Fiscal 2023-2025**

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

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

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

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

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

<sup>5</sup> The 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.

<sup>6</sup> The rates shown reflect the public school and library impact fee total.

<sup>7</sup> The impact fee is increased from \$6,000 to \$10,000 – effective March 1, 2005 – pursuant to Bill No. 24-033.

<sup>8</sup> Fiscal 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).

<sup>9</sup> Amounts 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.)

<sup>10</sup> Amounts 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.

<sup>11</sup> Impact 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.

<sup>12</sup> A 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 <sup>1</sup>  | -                    | -                    | -                    | -                   | -            | -                  | -            |
| 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 <sup>2</sup> | 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%       |
| <b>Total</b>            | <b>\$181,229,637</b> | <b>\$179,302,268</b> | <b>\$186,312,660</b> | <b>-\$1,927,370</b> | <b>-1.1%</b> | <b>\$7,010,392</b> | <b>3.9%</b>  |

<sup>1</sup> The 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.

<sup>2</sup> The 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