HB 1085

Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1085 (Delegate Fair, *et al.*)

Environment and Transportation and
Ways and Means

Housing Authorities - Tax-Exempt Status - Modifications

This bill standardizes the tax treatment of real property owned by certain nonprofit entities created by public housing authorities in Maryland by extending a specified property tax exemption to all nonprofit entities created by public housing authorities in the State. Under current law, the property tax exemption only applies to the nonprofit entities created by public housing authorities in three jurisdictions (Baltimore City and Howard and Montgomery counties). **The bill takes effect June 1, 2025, and applies to taxable years beginning after June 30, 2025.**

Fiscal Summary

State Effect: Potential minimal decrease in State property tax revenues beginning in FY 2026 to the extent that public housing authorities establish nonprofit entities. State expenditures should not be significantly affected.

Local Effect: Potential minimal decrease in local property tax revenues beginning in FY 2026 to the extent that public housing authorities establish nonprofit entities. Local expenditures should not be significantly affected.

Small Business Effect: Minimal.

Analysis

Current Law: Real property owned by public housing authorities are exempt from State and local property taxes as provided in both the Tax-Property Article (Section 7-215) and the Housing and Community Development Article (Section 12-104). In addition, real property owned by nonprofit entities established by the public housing authorities in Baltimore City and Howard and Montgomery counties is also exempt from State and local property taxes.

Housing Authorities and Nonprofit Entities

Any housing authority in the State may establish and control nonprofit entities, including corporations and limited liability companies, which may own, operate, and take steps necessary or convenient to develop or undertake housing projects in the authority's area of operation.

Federal Low-Income Housing Tax Credit

Many of the affordable housing projects financed in the State are financed through the use of the Low-Income Housing Tax Credit (LIHTC). LIHTC was established by the Tax Reform Act of 1986. The tax credit subsidizes the construction and rehabilitation of low-income rental housing and is intended to encourage the production of low-income residential rental housing. Instead of offering direct subsidies, LIHTC provides incentives by granting investors a dollar-for-dollar reduction in their federal tax liability in exchange for providing funds for the development of qualified, affordable rental housing. This allows rents for some of a project's units to be set below market level, while the investors receive annual tax credit allotments over 10 years. For at least 15 years after completion, a project must continue to meet LIHTC eligibility requirements, such as maintaining the units as affordable to the target population.

State and Local Fiscal Effect: Public housing authorities often create nonprofit subsidiary entities as a way to develop projects with private investment or to accept equity investment through LIHTC. In these cases, the public housing authority retains majority ownership and control of the nonprofit entity. Due to the limited nature of the property tax exemption, any potential effect on State and local revenues is projected to be minimal.

Additional Information

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

Designated Cross File: None.

Information Source(s): Anne Arundel, Baltimore, Frederick, Howard, and Prince George's counties; Comptroller's Office; Department of Housing and Community Development; Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2025
km/hlb

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