

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

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

Senate Bill 327

Budget and Taxation

(Senator Hettleman)

Ways and Means and Environment and  
Transportation

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**Affordable Housing Payment In Lieu of Taxes Expansion Act**

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This bill authorizes county governments to exempt real property used for rental housing from the county property tax if the property owner maintains at least 25% of the rental housing units as affordable dwelling units and enters into a payment in lieu of taxes (PILOT) agreement with the county government. The PILOT agreement must require the property owner to maintain at least 25% of the rental housing units as affordable dwelling units for a period of at least 15 years. However, a county may require the owner of real property to maintain a higher percentage of rental housing units as affordable housing. **The bill takes effect June 1, 2025, and applies to taxable years beginning after June 30, 2025.**

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** County property tax revenues may decrease beginning in FY 2026 to the extent that certain rental properties are exempt from real property taxes. The amount of any decrease depends on the number of eligible rental housing units and the assessed value of each affected property. Any decrease in county property tax revenues will be mitigated by negotiated PILOT agreements between the county government and property owners.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** A PILOT is an agreement between a jurisdiction and a developer, business, or landowner that substitutes a negotiated payment for annual real estate taxes that are

traditionally due on a property. The [\*Guide to Local Government Taxing Authority\*](#) provides an overview on each county government's statutory authority to impose local taxes and establish tax credits and exemptions, including PILOTs.

#### *Affordable Housing Designation*

An affordable dwelling unit is defined as a dwelling unit that is affordable to households earning 60% or less of the area median income. Area median income is defined as the median household income for the area adjusted for household size as published and annually updated by the U.S. Department of Housing and Urban Development. Affordable means that housing costs do not exceed 30% of a household's income.

**Local Fiscal Effect:** County property tax revenues may decrease beginning in fiscal 2026 to the extent that certain rental housing designated as affordable dwelling units is exempt from real property taxes. Any decrease in county property tax revenues will be mitigated by negotiated PILOT agreements between the county government and property owners.

The property tax is one of the leading revenue sources for county governments, accounting for 24.2% of total local revenues in fiscal 2023. In fiscal 2025, county governments are projected to collect approximately \$10.8 billion in property tax revenues, which represents a \$1.0 billion increase over a two-year period. Additional information on local property tax revenues can be found in the [\*County Revenue Outlook Report\*](#). A copy of the report is available on the Department of Legislative Services [website](#).

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### **Additional Information**

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

**Designated Cross File:** HB 390 (Delegate Korman, *et al.*) - Ways and Means and Environment and Transportation.

**Information Source(s):** Baltimore, Cecil, and Frederick counties; Maryland Association of Counties; State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - January 27, 2025  
rh/hlb Third Reader - March 24, 2025  
Revised - Amendment(s) - March 24, 2025

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