Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 598 (Senator Hettleman)
Budget and Taxation

Property Tax – Low–Income Housing Tax Credit – Valuation of Property

This bill alters the process by which the State Department of Assessments and Taxation (SDAT) determines the value of income producing commercial real property developed under specified provisions of federal law related to low-income housing. SDAT is required to evaluate a specified net operating income calculation when determining the value of commercial real property that is developed under low-income housing provisions of federal law. **The bill takes effect June 1, 2025, and applies to taxable years beginning after June 30, 2025**.

Fiscal Summary

State Effect: None. The bill is intended to codify existing SDAT assessment procedures related to specified low-income housing properties.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill requires SDAT, when valuing commercial real property to evaluate the following additional criteria: (1) the actual or anticipated net operating income attributable to the real property, capitalized at the prevailing market rate for conventional multifamily properties in the same geographic area, upward adjusted between 1.5%; and (2) 2% to account for affordability restrictions and other encumbrances required under § 42 of the Internal Revenue Code.

In addition, in determining the value of commercial real property developed under § 42 of the Internal Revenue Code, the supervisor may not consider income tax credits under § 42 of the Internal Revenue Code (Low-Income Housing Tax Credit) as income attributable to the real property.

Current Law: In determining the value of commercial real property developed under § 42 of the Internal Revenue Code, the supervisor (1) must consider the impact of applicable rent restrictions, affordability requirements, or any other related restrictions required by § 42 of the Internal Revenue Code and any other federal, State, or local programs; (2) may not consider income tax credits under § 42 of the Internal Revenue Code as income attributable to the real property; and (3) may consider the replacement cost approach only if the value produced by the replacement cost approach is less than the value produced by the income approach for the property and it is reflective of the value of the real property.

Additional Information

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

Designated Cross File: HB 585 (Delegate Palakovich Carr) - Ways and Means.

Information Source(s): Prince George's County; Maryland Municipal League; State Department of Assessments and Taxation; Department of Legislative Services

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js/hlb

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