

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

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

Senate Bill 598

(Senator Hettleman)

Budget and Taxation

Ways and Means

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

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This bill requires the Department of Housing and Community Development (DHCD) to notify the State Department of Assessments and Taxation (SDAT) that a property has been awarded the federal Low-Income Housing Tax Credit (LIHTC) within 30 days of closing so that SDAT can proceed with valuation of the property in accordance with current law. **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. The bill's reporting requirement can be handled with DHCD's existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** In determining the value of commercial real property developed under § 42 of the Internal Revenue Code, SDAT (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.

## *Federal Low-Income Housing Tax Credit*

Many of the affordable housing projects financed in the State are financed through the use of 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.

## 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

**Fiscal Note History:** First Reader - February 9, 2025  
km/hlb Third Reader - March 24, 2025  
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