

Department of Legislative Services  
Maryland General Assembly  
2026 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 826  
Ways and Means

(Delegate M. Morgan, *et al.*)

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**Property Tax - Residential Real Property - Moratorium on Assessment Increases**

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This bill prohibits an increase in residential property tax assessments in the State for fiscal 2027, 2028, and 2029, except in specified circumstances. **The bill takes effect June 1, 2026.**

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**Fiscal Summary**

**State Effect:** Annuity Bond Fund (ABF) revenues decrease by \$58.6 million in FY 2027, by \$120.3 million in FY 2028, and by \$185.2 million in FY 2029. The revenue decrease may require either (1) an increase in the State property tax rate or (2) a general fund appropriation to cover debt service on the State’s general obligation (GO) bonds.

**Local Effect:** County revenues may decrease by \$500.0 million in FY 2027, by \$1.0 billion in FY 2028, and by \$1.6 billion in FY 2029, assuming county governments maintain their current property tax rates. Any revenue decrease resulting from the moratorium on assessment increases can be mitigated through higher property tax rates. County expenditures are not directly affected. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Potential meaningful.

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## Analysis

**Bill Summary:** The bill imposes a moratorium on residential assessment increases in the State over a three-year period (fiscal 2027, 2028, and 2029) by specifying that the assessed value of residential real property, including the phased-in value of the residential real property, may not be increased over the prior year amount. Exceptions are made in the following circumstances: (1) the zoning classification is changed at the initiative of the owner or anyone having an interest in the property; (2) a change in use or character occurs; (3) substantially completed improvements are made, which add at least \$100,000 in value to the property; (4) an error in calculation or measurement of the real property caused the value to be erroneous; (5) a residential use assessment is terminated; or (6) a subdivision occurs.

**Current Law:** Real property is valued and assessed once every three years by the State Department of Assessments and Taxation (SDAT). This approach, the triennial assessment process, was part of major property tax reform established in 1979. Prior to June 1, 2018, statute required that assessments be based on a physical inspection; however, Chapter 651 of 2018 repealed the requirement that the department value all real property based on an exterior physical inspection of the real property. Instead, the department must value real property based on a review of each property in each three-year cycle. The review by the department must include a physical inspection of a property if (1) the value of improvements to the property is being initially established; (2) the value of substantially completed improvements is being established; (3) the property is the subject of a recent sale, and the inspection is deemed necessary by the department for purposes of market analysis; (4) the property owner requests a physical inspection as part of an active appeal; (5) the department is notified by a county finance officer that a substantially completed improvement has been made that adds at least \$1.0 million in value to the property; or (6) the department determines that a physical inspection is appropriate. The assessor determines the “full cash value” of the property and any increase in value is phased in over a three-year period. Any decrease, however, is recognized immediately for assessment purposes.

In any year of a three-year cycle, real property must be revalued if any of the following factors causes a change in the value of the real property: (1) the zoning classification is changed at the initiative of the owner or anyone having an interest in the property; (2) a change in use or character occurs; (3) substantially completed improvements are made that add at least \$100,000 in value to the property; (4) an error in calculation or measurement of the real property caused the value to be erroneous; (5) a residential use assessment is terminated; or (6) a subdivision occurs.

*Property Assessment Increases*

The real property tax base across the State is projected to increase by \$44.5 billion in fiscal 2027, after accounting for the homestead property tax credits. This represents a 4.6% annual increase in taxable assessments. As shown in **Exhibit 1**, the real property tax base in the State has realized modest growth since fiscal 2020, with higher growth rates in more recent years. Additional information on property tax assessments is provided in the [Local Government Overview Report](#), which charts the triennial change in the full cash value for each assessment group since 2017.

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**Exhibit 1**  
**County Real Property Tax Base**  
**Annual Percent Change**

<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
3.4%	3.0%	3.0%	3.6%	4.7%	5.7%	5.8%	4.6%

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**State Revenues:** ABF revenues decrease by \$58.6 million in fiscal 2027, by \$120.3 million in fiscal 2028, and by \$185.2 million in fiscal 2029 as a result of freezing property tax assessments over a three-year period. This estimate is based on the current State property tax rate of \$0.112 and the projected decrease in property tax assessments in the State which could total \$52.3 billion in fiscal 2027, \$107.4 billion in fiscal 2028, and \$165.3 billion in fiscal 2029. Since the homestead property tax assessment cap is set at 10% for State tax purposes and between 0% and 10% for county tax purposes, the overall impact on the property tax base from the assessment freeze would be slightly different at the State and local level.

*Impact on Debt Service Payments*

Debt service payments on the State’s GO bonds are paid from the ABF. Revenue sources for the fund include State property taxes, premium from bond sales, and repayments from certain State agencies, subdivisions, and private organizations. General funds may be appropriated directly to the ABF to make up any differences between the debt service payments and funds available from property taxes and other sources. The fiscal 2027 budget assumes \$1.3 billion in State property tax revenues to the ABF. In addition, \$177.7 million in general funds and \$0.8 million in federal funds are budgeted to the ABF since the State property tax rate is not set high enough to cover the full cost of the debt service payments on the State’s GO bonds.

To offset the reduction in State property tax revenues, general fund expenditures could increase in an amount equal to the decrease in the ABF revenues, or the State property tax rate would have to be increased to meet debt service payments.

**Local Fiscal Effect:** County revenues may decrease by \$500.0 million in fiscal 2027, by \$1.0 billion in fiscal 2028, and by \$1.6 billion in fiscal 2029, assuming county governments maintain their current property tax rates. This estimate is based on the projected decrease in property tax assessments totaling \$44.5 billion in fiscal 2027, \$91.1 billion in fiscal 2028, and \$140.0 billion in fiscal 2029.

Any revenue decrease resulting from the moratorium on assessment increases can be mitigated through higher property tax rates. A 1 cent increase in county property tax rates is projected to generate approximately \$100.9 million annually statewide, as shown in **Exhibit 2**. To fully offset the projected revenue loss at the county level, local property tax rates may have to be increased on average by 5 cents in fiscal 2027 and by 15 cents in fiscal 2029. The exact impact on local property tax rates will vary by jurisdiction.

Information on local tax rates and revenue collections for each county government is provided in the [County Revenue Outlook Report](#). A copy of the report is available on the Department of Legislative Services [website](#).

**Exhibit 2**  
**County Real Property Assessable Base**  
**Fiscal 2027**

<b>County</b>	<b>Total Real Assessable Base</b>	<b>\$.01 Increase in Tax Rate</b>
Allegany	\$4,636,680,000	\$463,668
Anne Arundel	105,231,237,000	10,523,124
Baltimore City	52,039,638,000	5,203,964
Baltimore	111,434,675,000	11,143,468
Calvert	15,735,661,000	1,573,566
Caroline	3,636,575,000	363,658
Carroll	27,221,668,000	2,722,167
Cecil	14,249,449,000	1,424,945
Charles	27,397,655,000	2,739,766
Dorchester	4,008,746,000	400,875
Frederick	50,931,077,000	5,093,108
Garrett	7,165,462,000	716,546
Harford	37,619,837,000	3,761,984
Howard	70,900,919,000	7,090,092
Kent	3,674,465,000	367,447
Montgomery	252,294,842,000	25,229,484
Prince George's	129,406,507,000	12,940,651
Queen Anne's	11,905,662,000	1,190,566
St. Mary's	16,319,130,000	1,631,913
Somerset	2,024,831,000	202,483
Talbot	9,551,382,000	955,138
Washington	18,572,453,000	1,857,245
Wicomico	9,423,448,000	942,345
Worcester	23,459,953,000	2,345,995
<b>Total</b>	<b>\$1,008,841,954,000</b>	<b>\$100,884,195</b>

Source: State Department of Assessments and Taxation

## **Additional Information**

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

**Designated Cross File:** None.

**Information Source(s):** Maryland Association of Counties; Maryland Municipal League; State Department of Assessments and Taxation; Department of Legislative Services

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