SB 287

Department of Legislative Services

Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 287 (Senator McCray)
Budget and Taxation Economic Matters

Economic Development - Tax Increment Financing - Noncontiguous Areas

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This bill authorizes the governing body of a political subdivision, including Baltimore City, to designate, by resolution, a noncontiguous "blighted area" within its jurisdiction as a development district under the Tax Increment Financing Act. "Blighted area" means an area in which a majority of buildings have declined in productivity by reason of obsolescence, depreciation, or other causes to an extent that they no longer justify fundamental repairs and adequate maintenance.

Fiscal Summary

State Effect: The bill is not anticipated to materially affect State finances or operations.

Local Effect: Local revenues and expenditures increase beginning as early as FY 2027, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Current Law: All counties and municipalities in Maryland, except Baltimore City, are authorized to utilize tax increment financing (TIF) under Title 12, Subtitle 2 of the Economic Development Article (the Tax Increment Financing Act). Baltimore City has separate authority to use TIF as provided in the city charter. Counties and municipalities (including Baltimore City) may issue bonds to finance the development of an industrial, commercial, or residential area.

TIF is a public financing method that uses future gains in tax revenues to finance current improvements. The increase in the property tax revenue generated by new commercial development in a specific area, the TIF district, pays for bonds issued to finance site improvements, infrastructure, and other project costs located on public property. In a TIF district, the local government "freezes" the existing property tax base and uses the property tax revenue from this base as it would normally use such funds. The difference between the current tax base and the frozen base in each future year is termed the incremental valuation. The local government apportions the property tax revenue on the incremental valuation to a special account for certain purposes, including to pay debt service on the bonds and to potentially pay for additional public expenditures in the TIF district. The TIF district ceases to exist upon the retirement of the bonds, and after that time, all property tax revenue may be appropriated by normal means.

Under the Tax Increment Financing Act, a development district must be a contiguous area and authority to issue bonds is generally limited to the local governing body. However, the revenue authority of Prince George's County may issue bonds in accordance with an ordinance adopted by the governing body of the county, and local revenues may be pledged to debt issued by the Maryland Economic Development Corporation in specified circumstances.

Local Fiscal Effect: The bill expands the authority of local governments under the Tax Increment Financing Act to include noncontiguous blighted areas, which may increase overall use of the Act to facilitate development in those areas. Accordingly, local revenues increase beginning as early as fiscal 2027 from TIF bond revenues and, eventually, from increased taxes associated with the redevelopment. Local expenditures also increase beginning as early as fiscal 2027 as bond proceeds are used for authorized purposes, including development-related expenditures and debt service payments on TIF bonds.

Even though the bill integrates Baltimore City into the Tax Increment Financing Act, specifically for designation of a noncontiguous blighted area as a development district, there is no impact on Baltimore City. The city's charter already allows for noncontiguous areas to be designated as TIF districts, and that existing authority has recently been used to do so.

Small Business Effect: Small businesses in and adjacent to blighted areas potentially benefit from additional spending by local governments under the Tax Increment Financing Act. Small businesses that provide construction and related services also potentially benefit from additional demand for their services.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 942 of 2025.

Designated Cross File: HB 135 (Delegate Schindler, *et al.*) - Economic Matters.

Information Source(s): State Department of Assessments and Taxation; Department of Commerce; Baltimore City; cities of Annapolis and Bowie; Calvert, Howard, and Prince George's counties; Maryland Association of Counties; Maryland Municipal League; Department of Legislative Services

Fiscal Note History: First Reader - January 30, 2026
jg/ljm Third Reader - February 20, 2026

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