

Department of Legislative Services  
Maryland General Assembly  
2026 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 1538  
Economic Matters

(Delegate Miller, *et al.*)

---

Land Use - Accessory Dwelling Units - Requirements and Prohibitions  
(Maryland Generational Housing Act of 2026)

---

This bill establishes that local jurisdictions (1) must authorize at least one internal accessory dwelling unit (ADU) and one external ADU on land with a single-family detached dwelling unit as the primary dwelling unit and (2) may not require additional off-street parking spaces for ADUs that are conversions of space in the primary dwelling unit or conversion of an accessory structure. The bill also (1) establishes exemptions from State and local property tax and certain utility fees/charges for ADUs occupied by qualified family members and (2) prohibits imposition of development impact fees and development excise taxes on ADUs under 1,000 square feet. **The bill takes effect June 1, 2026, and the State and local property tax exemption applies to taxable years beginning after June 30, 2026.**

---

Fiscal Summary

**State Effect:** No effect in FY 2026. Annuity Bond Fund (ABF) revenues decrease, potentially significantly, beginning in FY 2027, as discussed below. This analysis assumes expenditures are not affected, as discussed below.

**Local Effect:** Local government revenues decrease, potentially significantly, likely beginning in FY 2027, as discussed below. This analysis assumes expenditures are not directly affected, as discussed below. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Potential meaningful.

---

## Analysis

### Bill Summary:

#### *Minimum Authorized Accessory Dwelling Units – and – No Required Off-street Parking for Conversions*

Under provisions enacted under Chapters 196 and 197 of 2025 – which require each local jurisdiction to adopt a local law authorizing the development of ADUs by October 1, 2026 – the bill adds that a local law adopted pursuant to that requirement:

- must authorize the development of at least one internal ADU and one external ADU on land with a single-family detached dwelling unit as the primary dwelling unit, irrespective of any density limit established under local law; and
- may not require additional off-street parking spaces for an ADU that is a conversion of (1) space in the primary single-family detached dwelling unit or (2) an accessory structure on the land of the primary single-family detached dwelling unit.

“Accessory dwelling unit” means a secondary dwelling unit that is (1) on the same lot, parcel, or tract as a primary single-family detached dwelling unit and (2) not greater than 75% of the size of and subordinate in use to the primary single-family detached dwelling unit. An ADU includes a structure that is separate from, or attached as an addition to, the primary single-family detached dwelling unit.

“External ADU” means an ADU that is detached from the primary dwelling unit, including a backyard cottage, a converted carriage house, or a modular unit.

“Internal ADU” means an ADU located within the footprint of the primary single-family detached dwelling unit, including an ADU created through the conversion of a basement, an attic, or an attached garage space of the primary single-family detached dwelling unit.

#### *Utility Connection for Accessory Dwelling Unit Occupied by Qualified Family Member*

Under the bill, a utility provider:

- may not charge a property owner that constructs an ADU that will be occupied by a qualified family member (1) a water or sewer connection fee that exceeds the administrative cost of a permit or (2) if the total bedroom count of the ADU and the primary single-family detached dwelling unit will not exceed the capacity of the septic system, a capacity charge or tap fee; and

- must allow, at the request of the property owner, an ADU that will be occupied by a qualified family member to share utility meters and service laterals with the primary single-family detached dwelling unit.

“Qualified family member” means a parent, grandparent, child, grandchild, or sibling of the owner of the primary single-family detached dwelling unit, and includes individuals related to the owner of the primary single-family detached dwelling unit through adoption or marriage.

“Utility” means water or sewer disposal services provided by (1) a private company regulated under Division I of the Public Utilities Article; (2) the Washington Suburban Sanitary Commission regulated under Division II of the Public Utilities Article; (3) a sanitary commission regulated under Title 9, Subtitle 6 of the Environment Article; or (4) a municipal authority regulated under Title 9, Subtitle 7 of the Environment Article.

#### *Development Impact Fees and Excise Taxes – Prohibition*

The bill prohibits a county or municipality from imposing a development excise tax or development impact fee in relation to the development of an ADU that measures less than 1,000 square feet.

“Development excise tax” means an excise tax imposed by a county or municipality on the construction or improvement of a building.

“Development impact fee” means a fee imposed by a county or municipality for the purpose of financing the capital costs of additional or expanded public works, improvements, and facilities required to accommodate new construction or development.

#### *Property Tax Exemption*

An ADU is not subject to property tax if the ADU is occupied by a qualified family member (as defined above).

#### **Current Law:**

##### *Accessory Dwelling Units*

Chapters 196 and 197 of 2025 established that it is the policy of the State to promote and encourage the creation of ADUs on land with a single-family detached dwelling unit as the primary dwelling unit in order to meet the housing needs of the citizens of Maryland.

Chapters 196 and 197, among other things, require each legislative body of a local jurisdiction (county or municipality) to adopt – by October 1, 2026 – a local law authorizing the development of ADUs. An adopted local law must:

- provide for construction of ADUs that meet public health, safety, and welfare standards, including relevant building codes and adequate public facilities provisions;
- exclude the development of an ADU from the calculation of density and application of any residential growth limitation measures; and
- not establish setback requirements that exceed the existing accessory structure setback requirements from the side and rear lot lines.

An adopted local law may:

- establish standards for ADU safety;
- prohibit the full or partial conversion of an accessory structure as an ADU if the only vehicular access to the accessory structure is from an alley; and
- establish additional off-street parking requirements (provided a parking study is completed and a waiver process is established) that consider, among other things, the cost to construct off-street parking, and whether sufficient curb area exists along the front line of the property to accommodate on-street parking.

### *Development Impact Fees and Excise Taxes*

Development impact fees and excise taxes enable local governments to collect revenue for new or expanded public facilities or services necessitated by new residential or commercial development, shifting the costs of financing the new or expanded facilities/services from existing taxpayers to those responsible for the development. See the attached **Appendix – Development Impact Fees and Excise Taxes** for information on the amount of fees and taxes (for single-family detached homes) and overall revenues collected by counties that impose the fees/taxes. And see this [2025 Department of Legislative Services \(DLS\) report](#) for citations/links to State enabling law and county implementing laws for development impact fees and excise taxes.

### *Property Tax*

The State property tax rate for fiscal 2026 is \$0.112 per \$100 of assessable property. The rate is established by the Board of Public Works, which is required by law to calculate the rate necessary to support debt service on general obligation bonds by May 1 of each year after taking into account the funds available from other sources for debt service. The rate is then applied to the State assessable base. The tax base for a given fiscal year is the total assessed value of all real property subject to the property tax as of the first of January (the date of finality) immediately preceding the first day of a fiscal year.

[Local property tax rates](#) (also per \$100 of assessable property) are set annually by local governments and applied to the county and municipal assessable bases. The county and municipal assessable bases represent the State assessable base less exemptions granted by local jurisdictions.

Real property that is subject to exemption from property tax under Title 7, Subtitle 2 of the Tax-Property Article (to which the bill's property tax exemption is added) is not exempted until the exemption has been applied for (on a form that the State Department of Assessments and Taxation (SDAT) requires) and approved by the supervisor of assessments for the county. If approved, the supervisor must enter (1) the real property exemption in the assessment records and (2) the real property on the list of exempt property. SDAT and the supervisor must periodically review the list of exempt property to determine whether any property does not meet the requirements of the law that provides for the exemption.

### **State and Local Fiscal Effect:**

#### *Property Tax Exemption*

##### *State and Local Revenues*

State special fund (ABF) revenues and local government revenues decrease, potentially significantly, beginning in fiscal 2027, due to the bill's property tax exemption for an ADU occupied by a qualified family member. The extent of the decrease in revenues cannot be reliably estimated – without information on the number of ADUs across the State that might qualify for the exemption and their value – but may be significant.

Debt service payments on the State's general obligation (GO) bonds are paid from 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 ABF revenues, or the State property tax rate would have to be increased to meet debt service payments.

### *Administration of the Exemption*

This analysis assumes that administration of the property tax exemption can be handled by SDAT with existing resources, not having received information from the department indicating otherwise. To the extent additional resources are needed, DLS notes that counties bear the responsibility of reimbursing the State for a significant portion of SDAT's costs, including 90% of the costs of real property valuation and 90% of the costs of SDAT's Office of Information Technology.

### *Development Impact Fees/Excise Taxes and Utility Fees (Local Revenues)*

Local government revenues decrease, likely beginning in fiscal 2027, as a result of (1) the bill's prohibition on the imposition of a development excise tax or development impact fee on development of an ADU of less than 1,000 square feet (to the extent such an ADU is not already exempt under local law) and (2) the bill's prohibition on specified initial utility provider fees/charges for ADUs that will be occupied by a qualified family member. The extent to which local government revenues decrease as a result of these provisions cannot be reliably estimated.

**Small Business Effect:** Small businesses involved in the construction of ADUs may be meaningfully affected to the extent the bill's provisions cause any ADUs to be constructed that are not otherwise constructed in the absence of the bill.

---

## **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 County Health Officers; Maryland Environmental Service; Calvert and Prince George's counties; Maryland Association of Counties; Washington Suburban Sanitary Commission; City of Annapolis; Maryland Municipal League; Maryland Department of the Environment; Maryland Department of Planning; State Department of Assessments and Taxation; Public Service Commission; Department of Legislative Services

**Fiscal Note History:** First Reader - March 13, 2026  
jg/sdk

---

Analysis by: Joanne E. Tetlow

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510

## Appendix – Development Impact Fees and Excise Taxes

---

This appendix compiles information on (1) the development impact fees and excise taxes imposed by Maryland counties and (2) the revenues generated by the fees/taxes. Development impact fees and excise taxes enable local governments to collect revenue for new or expanded public facilities or services necessitated by new residential or commercial development, shifting the costs of financing the new or expanded facilities/services from existing taxpayers to those responsible for the development.

The county development impact fees and excise taxes included in this appendix are those charges generally identified as development impact fees or excise taxes, or a variation of those terms (in some cases “surcharge” or “impact tax” is used). However, this appendix does not include all charges imposed on new development to generate revenue to cover costs of new or expanded public facilities/services. Some jurisdictions also impose water- and sewer-related charges (such as capital connection charges or system development charges), and/or mitigation payments based in the county’s adequate public facilities ordinance, that generate revenue for new or expanded public facilities/services. While not focused on in this report, a number of Maryland’s municipalities also impose impact fees or similar charges on new development to generate revenue for public facilities or services they provide.

The first table below shows the counties’ fee amount or tax rate for a single-family detached home in each of fiscal 2024, 2025, and 2026.

The second table shows actual or projected/estimated revenues from counties’ development impact fees and excise taxes for fiscal 2024, 2025, and 2026. This table is based primarily on information provided by the counties in response to the Department of Legislative Services’ (DLS) and the Maryland Association of Counties’ *FY 2026 Local Government Budget and Tax Rate Survey* conducted during summer 2025, supplemented by DLS follow up with certain counties. The extent to which the revenue amounts are actual vs. projected/estimated varies. The fiscal 2024 amounts are actual revenue amounts, and the fiscal 2025 and 2026 amounts are projected/estimated revenues in most cases; in limited cases, some counties were able to provide actual fiscal 2025 revenue amounts.

**County Development Impact Fees and Excise Tax Rates<sup>1</sup>**  
**Fiscal 2024-2026**

County	FY 2024	FY 2025	FY 2026
Anne Arundel <sup>2</sup>	\$16,217	\$16,636	\$16,903
Baltimore <sup>3</sup>	1.5% of gross sales	\$6.00/sq. ft.	\$6.00/sq. ft.
Calvert	12,950	12,950	12,950
Caroline	5,000	5,000	5,000
Carroll <sup>4</sup>	3,533	3,533	3,533
Charles	20,330	21,351	21,972
Dorchester <sup>5</sup>	0	0	5,000
Frederick <sup>6</sup>	17,961	18,851	19,408
Harford <sup>7</sup>	6,000	10,000	10,000
Howard <sup>8</sup>	\$9.77/sq. ft.	\$10.05/sq. ft.	\$10.27/sq. ft.
Montgomery <sup>9</sup>	56,274	56,274	59,854
Prince	29,188	30,180	30,875
Queen Anne's	\$5.85/sq. ft.	\$5.85/sq. ft.	\$5.99/sq. ft.
St. Mary's	6,697	6,697	6,697
Talbot <sup>11</sup>	9,091	9,091	9,356
Washington	\$1.00/sq. ft.	\$1.00/sq. ft.	\$1.00/sq. ft.

sq. ft.: square foot

<sup>1</sup> Fees/rates listed are those applicable to single-family detached dwellings and are per dwelling unless otherwise indicated.

<sup>2</sup> Rates are for a 2,000 to 2,499 sq. ft. residential unit. Residential rates vary by the square footage of a unit.

<sup>3</sup> Baltimore County Bill 45-24 established a \$6.00 per square foot development impact fee for residential development effective August 25, 2024.

<sup>4</sup> The schools portion of the impact fee was increased from \$0 to \$3,000, increasing the total impact fee from \$533 to \$3,533, effective September 1, 2023.

<sup>5</sup> The county development excise tax had been suspended since 2014, but the suspension ended in fiscal 2026.

<sup>6</sup> The rates shown reflect the public school and library impact fee total.

<sup>7</sup> The impact fee was increased from \$6,000 to \$10,000 – effective March 1, 2025 – pursuant to Bill No. 24-033.

<sup>8</sup> The fiscal 2024, 2025, and 2026 amounts represent the total of the roads tax amount (\$1.90/sq. ft., \$1.90/sq. ft., and \$1.92/sq. ft., respectively) and the school surcharge amount (\$7.87/sq. ft., \$8.15/sq. ft., and \$8.35/sq. ft., respectively).

<sup>9</sup> Amounts shown in the table represent the highest rates, that only apply in certain areas. The fiscal 2026 amount represents \$31,301 for schools in turnover impact areas and \$28,553 for transportation in yellow and green policy areas. (In fiscal 2026, the other transportation rates are \$22,841 in orange policy areas and \$9,139 in red policy areas, and the other schools rate, in infill impact areas, is \$30,005.)

<sup>10</sup> Amounts shown in the table represent the total of the school facilities and public safety/behavioral health amounts. The fiscal 2026 amount represents \$20,972 for school facilities and \$9,903 for public safety/behavioral health. A lower school facilities rate (\$12,220 in fiscal 2026) applies inside the beltway and to certain development near mass transit, and a lower public safety/behavioral health rate (\$3,303 in fiscal 2026) applies inside Transportation Service Area 1 as defined in the Prince George's County Approved General Plan and to certain development near mass transit.

<sup>11</sup> A lower rate (\$8,080 in fiscal 2026) applies to development inside municipalities.

Source: Department of Legislative Services

**County Development Impact Fee and Excise Tax Revenues  
Fiscal 2024-2026**

County	FY 2024	FY 2025	FY 2026	FY 2024-2025		FY 2025-2026	
				Difference	% Difference	Difference	% Difference
Anne Arundel	\$26,733,231	\$15,890,000	\$18,144,000	\$10,843,231	-40.6%	\$2,254,000	14.2%
Baltimore <sup>1</sup>	-	-	-	-	-	-	-
Calvert	729,097	2,650,094	634,314	1,920,997	263.5%	-2,015,780	-76.1%
Caroline	100,284	100,575	100,000	291	0.3%	-575	-0.6%
Carroll	n/a	n/a	n/a	-	-	-	-
Charles	13,399,715	14,385,288	15,574,000	985,573	7.4%	1,188,712	8.3%
Dorchester <sup>2</sup>	0	0	75,000	0	0.0%	75,000	-
Frederick	21,569,252	18,167,170	20,106,910	-3,402,082	-15.8%	1,939,740	10.7%
Harford	2,805,000	4,241,956	6,000,000	1,436,956	51.2%	1,758,044	41.4%
Howard	16,269,060	19,400,000	20,000,000	3,130,940	19.2%	600,000	3.1%
Montgomery	15,574,734	29,464,000	13,832,000	13,889,266	89.2%	-15,632,000	-53.1%
Prince George's	52,116,000	67,780,660	48,000,000	15,664,661	30.1%	-19,780,660	-29.2%
Queen Anne's	2,863,257	2,606,546	2,629,939	-256,711	-9.0%	23,393	0.9%
St. Mary's	1,342,508	1,500,000	1,500,000	157,492	11.7%	0	0.0%
Talbot	769,787	993,000	1,602,272	223,213	29.0%	609,272	61.4%
Washington	1,143,263	2,038,226	600,000	894,963	78.3%	-1,438,226	-70.6%
<b>Total</b>	<b>\$155,415,187</b>	<b>\$179,217,515</b>	<b>\$148,798,435</b>	<b>\$23,802,328</b>	<b>15.3%</b>	<b>\$30,419,080</b>	<b>-17.0%</b>

n/a: not available at the time of publication

<sup>1</sup> The county imposes a development impact surcharge on new nonresidential construction and a development impact fee on new residential construction; however, minimal revenues have been collected from the surcharge and fee to date and substantial revenues are not expected in fiscal 2026.

<sup>2</sup> The county development excise tax had been suspended since 2014, but the suspension ended in fiscal 2026.

Source: Department of Legislative Services