

# **Testimony SB 760.docx.pdf**

Uploaded by: Antonio Hayes

Position: FAV

ANTONIO HAYES  
Legislative District 40  
Baltimore City

Finance Committee



Annapolis Office  
James Senate Office Building  
11 Bladen Street, Room 222  
Annapolis, Maryland 21401  
410-841-3656 · 301-858-3656  
800-492-7122 Ext. 3656  
Antonio.Hayes@senate.state.md.us

THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

**Testimony of Senator Hayes in Support of Senate Bill 760: Property Tax Exemption -  
Religious Group or Organization - Third-Party Leases**

**March 9, 2022**

Dear Chairman Guzzone and Members of the Budget and Taxation Committee,

We have witnessed the misuse of tax exemption laws for religious organizations throughout the country. As per the MD Tax Code § 7-204, property that is owned by a religious entity may not be taxed if the property is used exclusively for (1) public religious worship, (2) parsonage or convent, or (3) educational purposes. Baltimore citizens pay a significant share of the taxes from which those organizations are exempt. Therefore, it would be unfair for any organization to lease their tax-exempt property and gain income, regardless of the work of the lessee. This would set a dangerous precedent. Other religious entities may begin to do the same and further burden our citizens.

Senate Bill 760 protects the state from that misappropriation. It would disallow an exemption of taxes for any part of a religious entity's property that is being leased to another organization. More likely than not, the rent on that leased property would exceed the property tax levied. Thus, the organization would not be financially constrained to pay its dues. Altogether, this bill protects the state and its citizens from unnecessary financial burden.

Thus, I urge a favorable report on Senate Bill 760.

Respectfully,

A handwritten signature in blue ink, appearing to read "Antonio L. Hayes".

Senator Antonio L. Hayes  
40<sup>th</sup> Legislative District - MD

# **SB 760\_mgoldstein\_fav 2022.pdf**

Uploaded by: Mathew Goldstein

Position: FAV



Secular Maryland

secularmaryland@tutanota.com

---

March 09, 2022

### **SB 760 - SUPPORT**

#### **Property Tax Exemption - Religious Group or Organization - Third-Party Leases**

Dear Chair Guzzone, Vice-Chair Rosapepe, and Members of the Budget and Taxation Committee,

Passing the tax exemption designated for religious institutions to anyone via a third party lease is an abusive misuse of the tax exemption. Passing this bill will close this perverse loophole. Although we support this particular proposed revision to the law, we would very much prefer that the entire section §7-204 of Article Tax - Property be deleted or replaced.

Secular Maryland advocates for equal treatment under the law for religious and non-religious organizations and individuals. The most effective way to minimize distinctions between organizations and individuals that are religious and those that not religious is to minimize the use of terms such as "religious" in the laws. Treating non-profit organizations the same regardless of whether they are, or are not, religious would simplify the law while ensuring equity between similarly situated non-profit organizations. Granting fraternal and religious non-profit institutions a property tax exemption, as this provision and a neighboring provision of the law do, without reciprocally granting similar non-religious non-profit institutions the same property tax exemption, is unbalanced. Because fraternal organizations operate "on a lodge system with a ritualistic activity" they are often closed to non-theists. This tax policy favors religious viewpoints and activities over non-religious viewpoints and activities as if the former has some unique merit or special advantage over the latter. Citizens of Maryland who are non-religious and non-theistic, or are not interested in lodge system based ritualistic activities, do not benefit from these property tax exemptions. We do not worship a deity or "higher power", we do not pray, we do not believe in, or otherwise maintain a skeptical perspective towards, the existence of a supernatural realm. We are not thereby disadvantaging the state and we should not thereby need to resort to the artifice of claiming our organizations are "religious" to qualify for the property tax

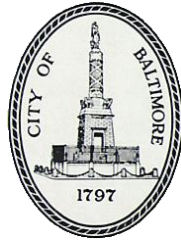
exemption.

Respectfully,  
Mathew Goldstein  
3838 Early Glow Ln  
Bowie, MD

# **SB0760-BT-FAV.pdf**

Uploaded by: Natasha Mehu

Position: FAV



BRANDON M. SCOTT  
MAYOR

*Office of Government Relations  
88 State Circle  
Annapolis, Maryland 21401*

**SB 760**

March 9, 2022

**TO:** Members of the Senate Budget and Tax Committee

**FROM:** Natasha Mehu, Director of Government Relations

**RE:** SB 760 - Property Tax Exemption - Religious Group or Organization - Third-Party Leases

**POSITION: Support**

Chair Guzzone, Vice-Chair Rosapepe, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports** Senate Bill (SB) 760.

SB 760 would remove the exclusion from the Property Tax exemption law under Section 7-204 of the Maryland Tax Property Article, of properties owned by a non-profit religious group or organization that are leased to third parties.

Exemptions under this section of the Code are based on the non-profit nature of these organizations. The partial or full lease of these properties to third-party users represents a for-profit activity that misleads the intention of the exemptions granted by state law.

While the fiscal impact of this legislation cannot be estimated at this time given that the detail and number of third-party leases of properties owned by religious organizations are unknown, there are 1,749 properties in the City classified as religious organizations that are partially or fully exempted from property taxes. The combined assessment of these properties is \$2.2 billion, equivalent to \$49.2 million in annual property taxes, of which the city collects only \$900K, or 1.9%.

The Baltimore City Administration is proud to be home to thousands of non-profit and religious organizations that are exempt from property taxes. We support this legislation, which would help the City recover a portion of the forgone property taxes by excluding for-profit use properties from this exempt category.

For these reasons we respectfully request a **favorable** report on SB 760.

*Annapolis – phone: 410.269.0207 • fax: 410.269.6785  
Baltimore – phone: 410.396.3497 • fax: 410.396.5136  
<https://mogr.baltimorecity.gov/>*

# **SB760 SUPPORT - Dorsey.pdf**

Uploaded by: Ryan Dorsey

Position: FAV





## BALTIMORE CITY COUNCIL

RYAN DORSEY, 3<sup>rd</sup> District

100 Holliday Street  
Room 523  
Baltimore, MD 21202  
Office: 410-396-4812  
Ryan.Dorsey@BaltimoreCity.gov

Senate Budget and Taxation Committee  
Senator Guy Guzzone, Chair  
Senator Jim Rosapepe, Vice-Chair  
3 West  
Miller Senate Office Building  
Annapolis, Maryland 21401

### **Submitted electronically**

March 8, 2022

### **SUPPORT: SB760 – Property Tax Exemption - Religious Group or Organization - Third-Party Leases**

Dear Mr. Chair and Members of the Committee,

I request a favorable report on SB760. This bill clarifies what I believe should be the appropriate interpretation of the existing statute, but which I believe SDAT is misinterpreting, against public interest.

When a tax-exempt entity leases the use of a property from a non-exempt entity, the non-exempt entity still pays taxes on the property. And if a tax-exempt entity were to lease the use of its own property to a non-exempt entity, that would violate the rules of tax exemption. The reason for both is the same. The owner in each case is conducting business for a financial gain, which should be taxable.

But SDAT has interpreted the law as if the above principle doesn't exist when one tax-exempt entity leases to another tax-exempt entity. A church that leases its space to another church is utilizing access to its space for financial gain. To allow this gives an untaxed entity an unfair advantage over a non-exempt entity that could just as well offer that same space. The lessee needs the use of the space one way or the other, and it is not in the public's interest to give a financial advantage to any one type of entity who can provide it.

The spirit of the tax exemption law is that if those who wish to worship require space to do so, we can accommodate this inalienable right to worship by relieving the burden of taxation. But in the absence of certain other limitations, the exemption is open to abuse. Leasing an exempt property, to no matter whom, violates both the spirit of the law, and fundamentally violates the letter of the law, which is explicit about allowable exempt uses, none of which is "rental to a 3<sup>rd</sup> party."

Consider a dwindling congregation, one that was once 300 is now 3. The pastor used to be paid through tithing, an indication that he is compensated for his labors according to the value he brings to those who care to worship. And the congregants' tithing covered the costs of building maintenance and operations because it was necessary for their purpose. But now the revenues come from leasing the building and the parking lot to

another congregation. The pastor still gets his paycheck, but he has no need of and makes no use of the property, except for the revenue it generates for him. He is functioning as a landlord, not a pastor. Because he leases the church to another religious entity, it meets the standard for exemption, that use be actual and exclusive, for the purposes of worship, education, or parsonage, but by capitalizing on the property it violates the spirit and intent of the law. Unfortunately, SDAT believes otherwise, hence the clarification necessary in this bill.

In one case like what is described above, a school pays more than \$80,000 annually to use the parking lot at a church property whose would-be \$40,000 tax bill could be doubly covered by that. But SDAT allows it to fall within the exemption standard, because education is an allowable use within the religious exemption standards. But this turns a blind eye to the handsome profit being turned. Nobody would mind the school using the lot if the church weren't charging a fee. And the clarification offered in this bill would not stop that.

On the flip side, another church that might lease its parking lot to some nearby businesses is not allowed to, because those businesses are for-profit. So the church began letting the businesses use the lot free of charge, because the whole community benefits from it, and then they eventually sold the parking lot to one of the businesses, who now pays taxes on it and permanently enshrined their customers' access to it. The church is now taking up a more right-sized space, still benefitting from tax exemption, but only to an appropriate extent.

The public is missing out on tax revenue that it should have. SB760 is a very reasonable clarification that would remedy this while not infringing on the freedom to worship as one chooses. Again, if you ask me, the law as written hits the mark, but is not being applied and interpreted as intended. This bill merely clarifies that intent.

I urge your favorable report on this bill, unamended.

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan Dorsey". The signature is fluid and cursive, with the first name "Ryan" and last name "Dorsey" clearly distinguishable.

Ryan Dorsey

# **Maryland Catholic Conference\_UNFAV\_SB760.pdf**

Uploaded by: Jenny Kraska

Position: UNF



ARCHDIOCESE OF BALTIMORE † ARCHDIOCESE OF WASHINGTON † DIOCESE OF WILMINGTON

**March 09, 2022**

**Senate Bill 760**

**Property Tax Exemption – Religious Group or Organization – Third Party Leases**

**Senate Budget & Taxation Committee**

**Position: OPPOSE**

The Maryland Catholic Conference (“Conference”) represents the public policy interests of the three Roman Catholic (arch)dioceses serving Maryland: the Archdiocese of Baltimore, the Archdiocese of Washington, and the Diocese of Wilmington.

The Conference opposes Senate Bill 760. This bill would provide that real property owned by a religious group or organization that is leased to a third party would not qualify for a certain property tax exemption.

The proposed language is worded much too broadly and this area of the law is incredibly complex. The way the law has been interpreted is that if an exempt entity leases property for actual rent, then that property is not eligible for exemption. But if an exempt entity leases property for mere expenses, such as the cost of operating the property (maintenance and utilities) – if it is not a net lease - then the property can still be exempt.

However, the language in this bill stating that the property “does not qualify” could be interpreted as not allowing for any portion of the property to be treated as tax-exempt. In that case, any lease by a religious group or charitable organization to a third party – even for \$1 – could render the property completely taxable.

It is for these reasons that the Maryland Catholic Conference asks for an unfavorable report on **SB 760**. Thank you for your consideration.

# **SB0760.docx (1) (1).pdf**

Uploaded by: Director Michael Higgs

Position: INFO

**LARRY HOGAN**  
Governor

**BOYD K. RUTHERFORD**  
Lt. Governor



**MICHAEL HIGGS**  
Director

**CORBETT WEBB**  
Deputy Director

301 W. Preston Street, Room 801, Baltimore, Maryland 21201  
Legislative Director: Jonathan.Glaser@Maryland.gov  
1-888-246-5941 TTY: 1-800-735-2258  
[www.dat.maryland.gov](http://www.dat.maryland.gov)

**HEARING DATE:** March 9, 2022

**BILL:** SB0760

**TITLE:** Property Tax Exemption - Religious Group or Organization - Third-Party Leases

**SDAT POSITION:** Letter of Information

SB0760 states that real property owned by a religious group or organization that is leased to a third party does not qualify for a property tax exemption.

The Department advises that it will not be able to audit the exemption nor will the Department be able to enforce this provision beyond asking the religious group or organization to self-attest compliance. As written, the exemption is unclear and nebulous.

Currently, SDAT provides a partial exemption if part of the religious group or organization's property is used by the exempt group. This legislation does not address the current practice and it is unclear to SDAT if the entire property would be excluded from the exemption or only the portion which is leased to a third party. As this legislation is written the matter would likely be litigated through the court system to make this determination.

**Due to the potential discrepancies in the bill's language, SDAT offers this Letter of Information and strongly urges a reconsideration of SB0760 in its current form.**

# **SB0760-BT\_MACo\_LOI.pdf**

Uploaded by: Kevin Kinnally

Position: INFO



## **Senate Bill 760**

### *Property Tax Exemption - Religious Group or Organization - Third-Party Leases*

MACo Position: **LETTER OF  
INFORMATION**

To: Budget and Taxation Committee

Date: March 10, 2022

From: Kevin Kinnally

The Maryland Association of Counties (MACo) takes **no position** on SB 760, but raises the following issues for the Committee's consideration on the tax policy matters raised by this bill.

The bill's intent appears to condition tax exempt treatment of certain real property based on its use, rather than its nominal ownership. This concept is not new to Maryland; indeed most personal property tax exemptions are based on equipment and machinery's use, rather than its ownership. Federal income tax law also incorporates similar principles with income – where “unrelated business income” is taxable even on entities that are generally tax-exempt as charities or similar classifications. The potential taxation of properties owned by a tax-exempt entity but used by another entity for broader, traditionally taxable, functions is a part of this larger and unsolved policy matter.

Horizontal equity – the principle that people and businesses under similar circumstances should bear equal tax burdens – is a hallmark of a fair tax system. However, because of state-mandated property tax exemptions and special evaluations, Maryland's property tax structure often fails to provide taxpayer equity across all properties.

Mandated tax exemptions require counties to forego meaningful local revenues to support essential public services, even if the exemptions do not serve their best interests. In Baltimore City alone, the value of property owned by universities, hospitals, nonprofits, and other tax-exempt organizations totals well over 30 percent of Baltimore's entire assessed value.

Although these entities are exempt from paying property taxes, they still reap the benefits of police and fire protection, snow and trash removal, road maintenance, and other essential services. Simply put, these exemptions mean that other homeowners and businesses must bear a greater share of the property tax burden to provide universal services.

The breadth of tax-exempt properties in Maryland, and concentrated in Baltimore City in particular, make this topic both sensitive and important for evaluation, as the General Assembly contends with challenging policy related to revenue capacity and resources to fund education and other shared priorities.