Maryland
**DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT**

WES MOORE
Governor

ARUNA MILLER
Lt. Governor

JACOB R. DAY
Secretary

JULIA GLANZ
Deputy Secretary

DATE:　　　　　**March 27, 2025**

BILL NO.:　　　**House Bill 23**

TITLE:　　　　**Property Taxes – Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property**

COMMITTEE:　　**Senate Budget and Taxation Committee**

<div align="center">

Letter of Support With Amendment

</div>

Description of Bill:
House Bill 23 authorizes Baltimore City and county governments to impose a special property tax rate: 1) within a special taxing district established for the purpose of financing specified State or county transportation projects; or 2) on a countywide basis for the purpose of funding the approved budget of the county board of education. The special property tax rate, which would be in addition to the general real property tax rate, is limited to a maximum of $0.125 for each $100 of assessed value, and may be applied to commercial, industrial, or mixed-use property. As written, the bill requires that the residential portion of a mixed-use property subject to the special rate be exempted, either through a credit against the special rate for the residential portion, or a direct exemption for the residential portion.

Background and Analysis:
This bill grants counties more flexibility in budgeting for infrastructure improvements and school funding by allowing them to set special property tax rates on certain subclasses of property. Municipalities in Maryland already have similar authority to set different property tax rates for different classes of property. Counties in Northern Virginia are *required* to set commercial property tax rates higher than residential property tax rates, giving them a competitive advantage over their Maryland neighbors when it comes to funding infrastructure and schools. Giving Maryland's counties the authority to do the same will allow them to make transportation and school improvements that are both business- and resident-friendly.

As written, House Bill 23 requires that only the residential portion of a mixed-use property be exempt from the special tax rate. While DHCD supports the exemption of residential property, imposing a special tax rate, even with the exemption, on commercial/residential mixed-use property would disincentivize the production of this important type of property. Mixed-use development, which combines housing with retail, office, or other commercial space, is particularly important in densely populated areas where land availability is limited. By incorporating multiple functions on the same site, mixed-use development improves land use efficiency and helps lower housing costs, while promoting walkability, reducing car dependency and sprawl, and supporting local economies. Developments like Rockville Town Square, Bethesda Row, and Columbia's Merriweather District are successful examples of this type of project in Maryland. Imposing a special tax rate on the non-residential portions of these properties would disincentivize their production and be counterproductive to the State of Maryland's efforts to address the state's 96,000+-unit housing shortage. Mixed-use commercial/residential properties should be fully exempt from any special tax rate authorized by this bill.

DHCD Position
The Maryland Department of Housing and Community Development respectfully requests a **favorable, as amended above,** report on House Bill 23. The amendment is listed on the next page.

PROPOSED AMENDMENT LANGUAGE:

On page 2, in line 21, after the semicolon insert "**AND**".

On page 2, in line 22, strike the semicolon and substitute a period.

On page 2, strike lines 23 and 24 in their entirety.

On page 4, in line 1, after the semicolon insert "**AND**".

On page 4, in line 2, strike the semicolon and substitute a period.

On page 4, strike lines 3 and 4 in their entirety.

On page 4, in line 16, after the semicolon insert "**AND**".

On page 4, in line 19, strike "**; AND**" and substitute a period.

On page 4, strike lines 20 through 23, inclusive, in their entirety.

On pages 4 through 9, strike in their entirety the lines beginning with line 29 on page 4 through line 16 on page 9, inclusive.

MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
7800 HARKINS RD ● LANHAM, MD 20706 ● DHCD.MARYLAND.GOV
301-429-7400 ● 1-800-756-0119 ● TTY/RELAY 711 or 1-800-735-2258

EQUAL HOUSING OPPORTUNITY