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DATE: February 12, 2025

BILL NO.: Senate Bill 472

TITLE: Property Tax - Improvements to Property Adjacent to Rail Stations - Subclass, Special Rate and Penalty

COMMITTEE: Senate Budget and Taxation Committee

Letter of Support

Description of Bill:

Senate Bill 472 authorizes the governing body of a county, or Mayor and City Council of Baltimore City, to establish a subclass of real property consisting of improvements made to existing real property that is located within one mile of a rail station. The legislation also grants local governments the authority to set, by law, a tax penalty against the local municipality's total tax liability on improvements to real property that is located within one mile of a rail station. This authority to assign a tax penalty is only granted if counties have established the subclass of real property for improvements within one mile of a rail station.

Background and Analysis:

Under existing law, Maryland counties have a single county property tax rate for all real property, such as single-family homes and the improvements made to them. In effect, a home and what could be an accessory dwelling unit, or another improvement, are taxed at the same rate. With this enabling legislation, local governments can set a separate tax rate for improvements to real property that is within one mile of a rail station. This allows local governments to incentivize the construction of home improvements near rail stations through the special tax rate, drawing tenants and increased occupancy and density closer to transit.

Further, the special rate may not be 0% or greater than the rate set for the current fiscal year. This prevents local governments from placing a higher tax rate on real property improvements than the real property itself.

Senate Bill 472 also grants enabling authority to local governments to set a tax penalty against the local government's total tax liability on improvements to real property near rail stations. Once a local government has established the new subclass of real property for property improvements, then they can define criteria for the tax penalty, and assess it as they have defined it. Allowing local governments to define the criteria for themselves will allow them to set this tax rate and penalty with their local Comprehensive Plans for growth and local ordinances in mind.

In summary, SB 472 empowers local jurisdictions to tax improvements to real property that are within one mile of a rail station, while also providing them with the statutory authority to establish criteria for a tax penalty related to this subclass of real property.

DHCD Position

The Maryland Department of Housing and Community Development respectfully requests a **favorable** report on SB 472.

