Anne Arundel County _B&T_FAV_HB23.pdf
Uploaded by: Ethan Hunt
Position: FAV

ANNE ARUNDEL COUNTY
MARYLAND
County Executive Steuart Pittman

March 27, 2025

House Bill 23
Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property
Senate Budget and Taxation Committee

Position: FAVORABLE

Anne Arundel County **SUPPORTS** House Bill 23 – Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property. This enabling Bill would allow counties to set special property tax rates for certain subclasses of property to finance our schools and transportation improvements.

Maryland's local governments are limited in our revenue options by outdated, state-defined tax systems that have not kept up with today's economy. Local responsibilities have grown tremendously, and include maintaining and improving our schools, keeping our transportation infrastructure updated, funding our public safety departments, and other obligations. Local jurisdictions need varied and flexible streams of revenue in order to respond to these and other county needs.

House Bill 23 grants counties more flexibility in managing our local budgets by authorizing counties to set special property tax rates on certain property subclasses in order to raise sufficient revenue for transportation improvements and school funding. As written, House Bill 23 would allow an increase of up to 12.5 cents for each $100 of assessed value, which keeps the burden on taxpayers to a minimum and ensures that we can continue providing quality schools and safe roads for residents. This expanded revenue authority will provide counties with the right tools to meet the changing needs of our communities, stimulate economic growth, and enhance the quality of life for residents.

This is not a new idea. Municipalities in Maryland already have broad authority to set different property rates for different classes of property. Our peer counties in Northern Virginia are actually required by their state to tax commercial properties at a higher rate than residential properties to fund transportation projects.

Anne Arundel County is proud to have one of the lowest real property tax rates in Maryland. This enabling legislation will give us the flexibility to target any future increases only to targeted classes of property. This Bill is critical to granting counties the authority necessary to address our local tax and revenue needs. For all of these reasons, I respectfully request a **FAVORABLE** report on House Bill 23.

Steuart Pittman
County Executive

Ethan Hunt, Director of Government Affairs Phone: 410-222-3687 Email:exhunt23@aacounty.org

HB 23, FAV, FCG, OCE, JF, LS25, BT.pdf

Uploaded by: Jessica Fitzwater

Position: FAV

Jessica Fitzwater
County Executive

FREDERICK COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

HB 23 – Property Tax – Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property

DATE:	March 27, 2025
COMMITTEE:	Senate Budget and Taxation Committee
POSITION:	Favorable
FROM:	The Office of Frederick County Executive Jessica Fitzwater

As the County Executive of Frederick County, I urge the committee to give **HB 23 – Property Tax – Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property** a favorable report.

This bill will authorize the governing body of a county to set special property tax rates for certain subclasses of property to fund transportation improvements in that immediate area or meet school funding requirements. The language of this bill was produced after an extensive review and study during the interim as a result of HB 919 of 2024. I commend the Ways and Means Committee and their staff for the robust and comprehensive work they did throughout 2024 to evaluate this issue and craft language that equips counties with tools to meet the evolving needs of their communities, stimulate economic growth, and enhance the quality of life for residents.

Local governments have limited tools to raise the revenue required to finance the needed infrastructure for our communities. While property taxes are the main source of revenue for local governments, we face heightened pressure from our constituents to keep rates low as assessment values increase and inflation impacts their household budgets. Yet, growing transportation infrastructure demands and evolving education needs require consistent investment.

Importantly, HB 23 is enabling legislation, meaning the governing body of a county will have the option to adopt a property tax framework that uses the real property subclasses outlined in the bill. This authority is already granted to municipalities in Maryland and our peer counties in Northern Virginia have set higher property tax rates for commercial properties than residential, as directed by state law.

As a county leader who is deeply committed to the promises of Blueprint for Maryland's Future and the needs of our transportation infrastructure, I believe it is crucial that we utilize creative and progressive solutions to raise revenues without inequitably impacting our constituents. HB 23 will give local governments added flexibility in property tax structures to do exactly that.

Thank you for your consideration of HB 23 and thank you to Delegate Fair for his leadership on this initiative. I urge you to advance this bill with a favorable report.

Jessica Fitzwater

Jessica Fitzwater, County Executive
Frederick County, MD

HB0023-BT_MACo_SUP.pdf
Uploaded by: Kevin Kinnally
Position: FAV

House Bill 23

Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: March 27, 2025

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** HB 23. This bill authorizes county governments to impose a separate property tax rate on specific subclasses of real property, as approved by the General Assembly, to fund local transportation priorities and public schools.

HB 23 addresses a priority initiative of Maryland's 24 county governments. It gives counties a focused tool to manage growing demands for infrastructure and education by allowing limited flexibility with local revenue structures. The bill takes a balanced approach to supporting essential services, addressing community priorities, and encouraging sustainable growth.

Counties maintain the sizable majority of Maryland's road network, but lack sufficient resources to keep up with its rising transportation maintenance costs. Once a reliable funding source for local transportation projects, Highway User Revenues remain far below historic levels. This funding gap forces counties to stretch limited resources to maintain roads, repair bridges, and address aging infrastructure needs. At the same time, education costs under the Blueprint for Maryland's Future continue to increase, adding new pressures to county budgets and limiting funding for other critical services.

HB 23 offers a practical and well-defined solution to these challenges. Counties may apply special property tax rates to commercial and industrial properties only within clear guidelines and with express approval from the General Assembly. This framework ensures that new revenues focus on transportation and education while maintaining fairness and accountability.

The bill includes essential safeguards to promote fairness and prevent disproportionate impacts. Counties may only apply special rates to property subclasses explicitly outlined in state law, and caps on those rates ensure that property owners do not face unreasonable burdens. These guardrails ensure that counties will implement this authority effectively and with careful consideration for equity and transparency.

Transportation funding continues to lag behind inflation and the rising costs of maintaining critical infrastructure. Similarly, the Blueprint for Maryland's Future requires counties to make historic investments in public education. As such, HB 23 provides counties with a responsible and fair mechanism to meet these fiscal challenges while maintaining vibrant and well-supported communities.

HB 23 enables counties to address critical transportation and education needs with locally tailored solutions while strengthening the partnership with the State to support strong communities, reliable infrastructure, and high-quality public schools. Accordingly, MACo urges the Committee to issue a **FAVORABLE** report on HB 23.

HB23 Written Testimony - Senate Version.pdf
Uploaded by: Kris Fair
Position: FAV

Kris Fair
Legislative District 3
Frederick County

Ways and Means Committee
Subcommittees
Education
Election Law

The Maryland House of Delegates
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THE MARYLAND HOUSE OF DELEGATES
Annapolis, Maryland 21401

SPONSOR TESTIMONY
HB 23 - Property Tax - County Authority to Set Special Rates

The Honorable Guy Guzzone, Chair
Budget and Taxation Committee
Maryland Senate
3 West Miller Senate Office Building
Annapolis, MD 21401

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

House Bill 23 enables Maryland's local jurisdictions to address their unique revenue challenges and opportunities through localized decision-making. This bill realizes our state's commitment to fostering economically and socially thriving communities by empowering local jurisdictions to make nuanced decisions about revenues to pay for essential education and transportation projects. Importantly, it also helps Counties adjust to new costs under the 2025 BRFA. To accomplish this, HB 23 modernizes local jurisdictions' revenue systems by giving them discretion to be more responsive to the complexities of their economies.

Mitigates Impacts to Counties from 2025 Budget: The Budget as contemplated by the House requires Counties to pay more for teacher pensions, phases out grants to Counties to help teachers retire with appropriate compensation, mandates that Counties fully compensate individuals wrongfully incarcerated by the State, and makes Counties pay for 90% of SDAT's operating costs. However, it does not provide tools to offset those costs or to give Counties any say or oversight on how that money is used once it is taken by the State.

As a result, the Maryland Association of Counties (MACo) predicts broad property tax hikes for all property classes and service cuts which will impact vulnerable residents the most. Counties already fill in gaps in education spending created by the mismatch of statutory mandates versus revenues. Special education is underfunded by $1 billion annually and student transportation by $500 million annually, yet Counties already contribute nearly that total sum in addition to their mandated local share under the Blueprint. The additional costs in this year's Budget will significantly impact local jurisdictions' ability to continue this support if they are not given more tools to address new pressures.

Most relevant to this legislation is that under the House budget plan, Counties would have the flexibility to raise local income tax rates from 3.2% to 3.3% — but MACo points out this is "not a solution, as counties grapple with growing State cost shifts and long-term budget pressures." Indeed, this would be a broad tax increase on all residents' income as opposed to a targeted increase on certain commercial properties that HB 23 contemplates.

With all of this in mind, HB 23 becomes not just an important step towards giving Counties flexibility to determine how they raise revenues on par with municipalities' current authority; under the 2025 Budget it is now an important source of funding to maintain the level of services provided by Counties as they work to address our residents' most pressing needs in education and transportation.

For reference, please see MACo's recent entries on its Conduit Street blog: House Advances Budget Plan: Counties Block Some Cost Shifts but Face New Burdens – Conduit Street and Unfunded and Unwise: SDAT Cost Shift Reopens Old Warnings – Conduit Street

Smarter Revenue Streams through Local Empowerment and Flexibility: HB 23 grants local jurisdictions the authority to create differential tax rates on specific State Department of Assessment and Taxation (SDAT)-identified subclasses of commercial real property. It allows local jurisdictions greater flexibility to identify and address imbalances within their existing revenue structure between the commercial property classes identified in the bill. If a jurisdiction decides to set a differential rate, it must direct the funds toward local transportation or education projects.

Inspired by decades of advocacy and informed by thorough analysis from Ways and Means committee staffers, this bill harnesses local governments' up-close knowledge of their communities, enabling them to better fund and execute transportation and education projects in their jurisdictions—enhancing Marylander's overall quality of life and economic competitiveness.

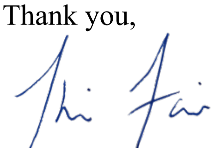
Increasing Options for Local Jurisdictions to Deliver for their Residents – Without a Mandate: Under HB 23, local jurisdictions can choose to implement a tailored differential commercial property tax rate, strengthening budgetary outlooks in the ways that work for their economies and without burdening residential properties. Critically, this bill does not create a mandate for local jurisdictions—they are free to implement this, or not, depending on what makes the most sense for their communities.

Rather, this legislation creates flexibility for jurisdictions to fund two critical needs: transportation and education. Considering the increasing costs of these two primary government functions, this bill expands the tools at the jurisdictions' disposal to ensure that our commitments to world-class education and equitable transportation access do not come at the expense of public safety, health, and infrastructure.

Guardrails Lead to Better Outcomes: The authority granted to local jurisdictions under HB 23 comes with stringent guardrails to ensure reasonable and responsible implementation. Unlike municipalities' broad discretion to levy property taxes, jurisdictions impacted by this bill will have clearly defined, limited authority to raise commercial tax rates: the maximum rate that can be set is 12.5%, any new rates can only be applied using two methodologies (either county-wide, or through a special taxing district), and all funding is specifically directed either to education or transportation projects depending on the methodology for raising the tax. This ensures accountability and aligns the use of revenues with the jurisdictions' and the state's broader policy objectives.

In conclusion, House Bill 23 represents a pragmatic and flexible approach to addressing our jurisdictions' financial challenges. It empowers local governments to proactively fund transportation and education projects with guardrails to ensure accountability and alignment with state-wide priorities. I urge you to support this bill, recognizing its potential to enhance the quality of services delivered by governments in Maryland. I respectfully request a favorable report.

Thank you,



Delegate Kris Fair
District 3, Frederick County

HB 23 - MoCo_Elrich_FAV (GA 25) (Senate).pdf
Uploaded by: Marc Elrich
Position: FAV

OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

March 27, 2025

TO: The Honorable Guy Guzzone
Chair, Budget and Taxation Committee

FROM: Marc Elrich
County Executive

RE: House Bill 23, *Property Taxes – Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property*
Support

House Bill 23 authorizes Baltimore City and county governments to set a single special property tax rate for subclasses of commercial and industrial real property for the purpose of financing transportation improvements or providing required funding to their local school systems. The bill establishes the subclasses as commercial, industrial, commercial/industrial condominium, residential/commercial, and commercial/residential. It limits the special tax rate that may be applied to $0.125 for each $100 of assessed value. The bill also prohibits the application of the higher rate to any residential portion of a mixed-use property that receives either an exemption or credit from the special rate. For transportation funding, the bill limits the imposition of the special rate to a special taxing district established for the purpose of financing State or county transportation improvements. For education funding, the special rate may be imposed on a countywide basis.

I strongly support House Bill 23. It simply allows counties the same authority as municipalities have had for many years, except that counties would be subject to certain restrictions that do not apply to municipalities. It is authorizing only and could only be made operational via the passage of local legislation, after a public process to allow stakeholders to voice their opinions on the proposed local law.

As the County Executive of Montgomery County, a community famous for severe traffic congestion, I am increasingly frustrated by our inability to compete with the expansion of transportation infrastructure in Northern Virginia (NOVA). Differences in the application of development taxes and fees hinder our County's ability to compete with the NOVA suburbs for the buildout of crucial new infrastructure which is essential for successful development. While independent reports document that taxes for businesses are higher in NOVA than in Montgomery

County, the method of taxation used in our County is a negative for developers and the County. Because of limitations on ways any county in Maryland can generate revenue, Montgomery County relies on impact taxes to cover new infrastructure. This is a particularly burdensome tax since it must be paid at the time of construction which drives up the initial costs of development. Further, because impact taxes produce an unpredictable and volatile revenue stream that is project specific and comes in one-time payments, it is impossible to bond, thereby limiting opportunities to finance the infrastructure investment necessary to support the new development.

In contrast, the NOVA counties, by law, must impose higher rates on commercial properties than residential, with the strong backing of the business community. In NOVA, the business community understood that higher property taxes that are dedicated for specific infrastructure investment made economic sense. They knew they could not be successful without making the kinds of investments that would be necessary to attract new development. A prominent example is the Silver Line, which was partially paid for by differentiated commercial taxes levied in special taxing districts.

The NOVA region has thrived, at our expense. Their elected officials and the business community took the long view and agreed that they needed a new approach to regionalism and infrastructure investment. They were willing to pay to make that happen and were rewarded with billions of dollars to invest in new infrastructure.

I am asking you to also take the long view and allow counties this additional taxation tool – a tool that Maryland's municipalities have had for many years. At the County level, with the passage of House Bill 23, I would pursue a local law to allow the County to establish differential property tax rates. The new revenue will help us partner with the State to make critical transportation investments, including our comprehensive bus rapid transit network. These investments are needed now and cannot wait to queue up in the State's long backlog of unfunded transportation projects. Other counties may choose to use this authority to help meet the funding requirements of the Blueprint, which without a larger complement of local revenue options, may not be able to be met.

I join my colleagues in the Maryland Association of Counties to urge the Budget and Taxation Committee to move favorably on House Bill 23. This needed authority will help Montgomery County compete for new development in the Washington region and allow other counties and Baltimore City another option to generate local revenues to cover their specific needs.

cc: Members of the Budget and Taxation Committee

XHB23_MSEA_Zwerling_FAV.pdf
Uploaded by: Samantha Zwerling
Position: FAV

MARYLAND STATE EDUCATION ASSOCIATION

140 Main Street
Annapolis, MD 21401
800 448 6782
410 263 6600

marylandeducators.org

SUPPORT
Property Taxes – Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property
House Bill 23

Senate Budget and Taxation Committee
March 27, 2025
1:00PM

Samantha Zwerling
Government Relations

The Maryland State Education Association strongly supports House Bill 23, which gives counties greater authority to raise revenue to fund priorities like education. The bill is enabling and would allow counties to be more nimble in their funding needs.

MSEA represents 75,000 educators and school employees who work in Maryland's public schools, teaching and preparing our almost 900,000 students so they can pursue their dreams. MSEA also represents over 40 local affiliates in every county across the state of Maryland, and our parent affiliate is the 3 million-member National Education Association (NEA).

House Bill 23 gives counties additional flexibility to set taxing policy that works for their communities. This enabling legislation gives local leaders another tool when crafting local tax policy and could help raise additional funds for priorities like public education.

MSEA supports passage of an adequate, sustainable, predictable revenue stream that will adequately fund both the operating and construction costs of our public schools. A great public school for every child means our students have updated technology, small manageable classes, safe and modern schools, proper healthcare and nutrition, and have highly qualified and highly effective educators.

MSEA strongly urges a favorable report on House Bill 23.

HB023_DHCD_SUPPORT_W_AMD.pdf
Uploaded by: Jake Day
Position: FWA

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**

Letter of Support With Amendment

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.

HB0023 crossover FWA - Property Taxes - Authority

Uploaded by: Richard KAP Kaplowitz

Position: FWA

HB0023_Crossover
Bill_RichardKaplowitz_FWA
03/27/2025
Richard Keith Kaplowitz
Frederick, MD 21703-7134

TESTIMONY ON HB#0023 - POSITION: FAVORABLE WITH AMENDMENTS
Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property

TO: Chair Guzzone, Vice Chair Rosapepe, and members of the Budget and Taxation Committee
FROM: Richard Keith Kaplowitz

My name is Richard Kaplowitz. I am a resident of District 3, Frederick County. I am submitting this testimony in support with its amendments of HB0023, Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property

This bill is a priority for the County Executive and County Council of Frederick County. It was passed by the House 100-39 on 03/13/25.

This bill will permit counties in Maryland to set special property tax rates based on the property characteristics within a residential or commercial class. This can lessen the tax burden on residents while adjusting the commercial tax rates as appropriate. The goal behind provision of this flexibility in tax rates is to lessen the burden on residents while raising revenue appropriate to the services being provided and revenues earned within the commercial sector becoming reflected in their specific tax rates. This can occur without impacting a county resident's tax burden permitting receipt of the same public facing services to them at a lower personal cost.

A major difference between residential and commercial properties, as explained by Fair Assessments LLC [1] is that:

> "…Commercial property is used in revenue generation. The revenues can come in several forms including rents, retail sales, and professional services, among others. The property can include various uses such as apartments, manufacturing (i.e., factories), retail and malls, even farmland."

Thus, commercial properties can and should be taxed differently from residential in acknowledgment of an increased ability to absorb those variable rates from revenues not accessible or accounted for in a residential property.

I respectfully urge this committee to return a favorable report with its amendments on HB0023.

[1] https://www.fair-assessments.com/blog/property-tax-commercial-vs.-residential

2025 HB0023 Testimony Against 2025-03-26.pdf
Uploaded by: Alan Lang
Position: UNF

Testimony Against HB0023

Honorable Senators

Please enter an unfavorable report against HB0023.

I am against

- Authorizing the Mayor and City Council of Baltimore City or the governing body of a county to establish, by law, a subclass of real property consisting of certain commercial and industrial property and to set a special property tax rate for certain commercial and industrial property for the purpose of financing
  - certain transportation improvements or
  - the approved budget of the county board of education;
- applying the Act to all taxable years beginning after June 30, 2025.

I attended the hearing on January 28 and I heard the numerous business associations testify against this bill. They stated that the business climate was bad enough without raising their property taxes. One group that represented business parks stated that the occupancy rates were not good and this bill would only make it that much worse. They made a point that appraisals of business rental property were based on occupancy. Lower occupancy would result in a lower appraisal and thus less tax revenue despite raising the property tax rates.

As a personal property owner, I am well aware that the constantly rising appraisal of my property allows for increased property tax revenue for the County without the need to raise my property tax rate. Consequently, do not focus just on increasing the tax rate on businesses without considering how the raising rates could affect property appraisals.

At the hearing on January 28, the County Executives from Anne Arundel, Frederick, and Montgomery all lauded the bill as it would give counties more tax revenue without the Counties raising property taxes on its citizens. The Maryland Association of Counties also agreed that this was a great way to increase revenues without directly taxing the citizens. They are counting on many taxpayers believing that businesses are just greedy profit makers not paying their fair share and not realizing that the businesses will just pass the tax increase to those who buy their goods and services (If they do not leave the State or go bankrupt).

Instead of trying to squeeze more money out of the few businesses we have when you claim you need to attract new businesses, please do what your constituents are doing during these hard times when we cannot pay for all we would like to buy. Some of us make decisions on what are necessities and what are luxuries and we postpone the luxuries to better times. Others go into debt and use credit cards to do both (some less fortunate must use credit cards for necessities).

Testimony Against HB0023

Please do not make the business climate that much worse in Maryland by passing this bill. Instead, be fiscally responsible and enter an unfavorable report against HB0023

Alan Lang
45 Marys Mount Road
Harwood, MD 20776
Legislative District 30B
410-336-9745
Alanlang1@verizon.net
March 27, 2025

HCCC_HB 23_UNFAV_B&T.pdf
Uploaded by: Andrew Griffin
Position: UNF

March 27, 2025

Legislative Position: Unfavorable
House Bill 23
Property Taxes - Authority of Counties to Establish a Subclass
and Set a Special Rate for Commercial and Industrial Property
Senate Budget & Taxation Committee

Dear Chair Guzzone and members of the committee:

Founded in 1969, the Howard Chamber of Commerce is dedicated to helping businesses—from sole proprietors to large international firms—grow and succeed. With the power of 700 members that encompass more than 170,000 employees, the Howard County Chamber is an effective partner with elected officials and advocates for the interests of the county's business community.

As introduced, HB 23 would allow local jurisdictions to establish a subclass of real property and levy a special property tax rate, up to 12.5% in total, for certain commercial and industrial properties. While we understand the intent behind this legislation and the need for investment in Maryland's transportation network, we believe HB 23 would have a significant negative impact on Howard County's businesses and their ability to thrive and invest in our county.

By granting local jurisdictions authority to increase property taxes on specific subclasses of real property, HB 23 would create an uneven playing field for businesses operating in and across Maryland. The increased costs for companies will make it more difficult to compete with businesses in neighboring states and the allowance of up to a 12.5% combined rate at the discretion of local jurisdictions could create significant competitive disparities among Maryland counties. Furthermore, HB 23 would discourage investment and job creation, ultimately harming the communities this legislation aims to support.

Howard County's businesses are already concerned about the high cost of doing business in Maryland. Increasing property taxes on commercial and industrial properties would only exacerbate this issue. We urge the committee to consider the long-term consequences of this legislation and its potential impact on Maryland's business climate.

We respectfully request an unfavorable report on HB 23.

Sincerely,

Kristi Simon
President & CEO
Howard County Chamber of Commerce

HB0023 -- Property Taxes - Authority of Counties t
Uploaded by: Brian Levine
Position: UNF

House Bill 23 -- ***Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property***
Senate Budget and Taxation Committee
March 25, 2025
Oppose

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, opposes House Bill 23 -- *Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property*.

House Bill 23 authorizes Baltimore City and county governments to establish special property tax rates for various real property classifications to fund transportation improvements and county schools. This bill, if passed, would enable counties to significantly increase property taxes on commercial and industrial properties.

MCCC is concerned about Maryland's tax climate. If this proposed bill is passed and Montgomery County authorizes differential property taxes, business costs would rise significantly, discouraging responsible development and the growth of affordable and middle-income housing. Montgomery County already has a reputation for high taxes, and it compares poorly to neighboring Virginia in terms of competitiveness. MCCC opposes any additional tax or fee increases that would raise costs for small businesses, hinder job growth, and slow economic activity.

This bill's proponents correctly point out that Northern Virginia jurisdictions use differential property taxes to help fund infrastructure projects, but it is important to note that Virginia's overall tax structure is far more competitive for businesses and stands in stark contrast to jurisdictions like Montgomery County. Providing additional taxing authority proposed in House Bill 23 would further challenge the state's business competitiveness, making it harder to stimulate economic growth, create jobs, and attract or expand businesses.

MCCC recognizes the importance of funding transportation and education priorities, which are essential components for the business community and make Maryland a great place to live and work. However, allowing counties to increase property taxes on commercial and industrial properties is not only uncompetitive, but it is also unnecessary. Maryland's counties already have the authority to create special taxing districts for transportation improvements, as Montgomery County has already done in White Flint.

For these reasons, the Montgomery County Chamber of Commerce opposes House Bill 23 and respectfully requests an unfavorable report.

The Montgomery County Chamber of Commerce (MCCC), on behalf of its members, champions the growth of business opportunities, strategic infrastructure investments, and a strong workforce to position Metro Maryland as a premier regional, national, and global business location. Established in 1959, MCCC is an independent, non-profit membership organization.

Brian Levine | Vice President of Government Affairs
Montgomery County Chamber of Commerce
51 Monroe Street | Suite 1800
Rockville, Maryland 20850
301-738-0015 | www.mcccmd.com

HB 23_BOMA 2__UNF.pdf
Uploaded by: Bryson Popham
Position: UNF

BOMA BALTIMORE
2331 Rock Spring Road
Forest Hill, MD 21050
443.966.3855
info@bomabaltimore.org

March 25, 2025

The Honorable Guy Guzzone
Chair, Senate Budget and Tax Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: House Bill 23 - Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property - UNFAVORABLE

Dear Chairman Guzzone and Members of the Committee,

I am writing in my capacity as the Legislative Chairman of the Building Owners and Managers Association of Greater Baltimore (BOMA) to respectfully request an unfavorable report on Senate Bill 23.

BOMA, through its nearly 300 members, represents owners and managers of all types of commercial property, comprising 143 million square feet of office space in Baltimore and Central Maryland. Our members' facilities support over 19,000 jobs and contribute $2.5 billion to the Maryland economy each year.

House Bill 23 authorizes a county or Baltimore City to adopt a special real property tax rate in addition to the general real property tax rate under current law. The bill provides that revenues from the special tax may be used for either certain transportation projects or for education. While the bill was amended in the House to specify that the special purposes of this newly authorized tax may not exceed a combined total of 12.5 cents for each $100 of assessed value, the additional tax burden will continue to be significant on commercial properties. This burden will be imposed at a time when the commercial real estate industry already confronts existential challenges, such as historic vacancy rates as our work places adjust to more remote workers.

As noted above, the maximum additional rate that may be applied under the bill would represent a very substantial increase over and above the current general tax rate. While BOMA appreciates the need of local governments to adequately fund important public needs such as transportation and education, the formula in this bill could operate to place a disproportionate and excessive burden on the commercial real estate industry.

We therefore urge the Committee to give an unfavorable report on House Bill 23.

Very truly yours,

Tim O'Donald
Chair, BOMA Legislative Committee

cc: Bryson F. Popham, P.A.

HB 23 - Property Taxes - Subclass and Rate for Com
Uploaded by: Christa McGee
Position: UNF

House Bill 23 – Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property

Position: Oppose

Maryland REALTORS® opposes HB 23, which would allow counties and the City of Baltimore to create a subclass for commercial and industrial property and impose a special rate with regards to property tax assessments to finance transportation projects and education.

Under current law, property taxes for residential, commercial, and industrial properties are assessed at a uniform rate. REALTORS® are concerned that by allowing local jurisdictions to enact a differential rate by the type of property would create distortions in the market which could then disincentivize investments in whichever type of property is assessed the higher property tax rate. Given that commercial properties often "subsidize" the services provided to residential properties, raising tax rates on commercial properties could lead to disinvestment in those properties, and have the unintended consequence of increasing the percentage of the tax base funded through residential property taxes.

Maryland currently has mechanisms in place, such as the homestead exemption, that provides tax relief to residential property owners. Additionally, there are homeowners and renters tax credits that are offered to lower income residents that help offset their increases in property taxes; however, these programs have not had their qualifying limits raised in several years and are now woefully behind considering inflation and assessment increases. Maryland REALTORS® believes that raising the qualifying limits on these credits can better provide tax relief to Maryland homeowners and renters as opposed to allowing counties the ability to impose differential rates on different classes of property.

For these reasons, Maryland REALTORS® recommends an unfavorable report.

For more information contact lisa.may@mdrealtor.org or christa.mcgee@mdrealtor.org

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800-638-6425 • Fax: 443-716-3510 • **www.mdrealtor.org**

MDCC_HB 23_Unfavorable.pdf
Uploaded by: Grason Wiggins
Position: UNF

MARYLAND
Chamber of Commerce

House Bill 23

Position: Unfavorable
Committee: Budget and Tax
Date: March 27, 2025

Founded in 1968, the Maryland Chamber of Commerce (Maryland Chamber) is a statewide coalition of more than 7,000 members working to develop and promote strong public policy that ensures sustained economic growth and opportunity for all Marylanders.

House Bill 23 (HB 23) would authorize counties to establish, by law, a subclass of real property consisting of certain commercial and industrial property and to set a special property tax rate for certain commercial and industrial property for the purpose of financing certain transportation improvements or the approved budget of the county board of education.

The Maryland Chamber is concerned that counties could utilize the authority established under HB 23 to levy large tax increases against specific types of property. Levying large tax increases will further disincentivize investment and limit economic growth at a time when rising property taxes and rent control policies in certain counties are beginning to drive away investment and development.

According to Savills, property taxes on industrial buildings have grown by 21.3% in studied markets over the past five years. Considering the recent and significant increases in property taxes paid by owners of industrial properties, the Maryland Chamber is concerned that providing counties with authority to increase property tax rates will only exacerbate Maryland's need for more development. For these reasons, the Maryland Chamber of Commerce respectfully requests an **unfavorable report** on **HB 23.**

AOBA_HB23_UNF_SENATE.pdf
Uploaded by: Hugo Cantu
Position: UNF

Bill No: **HB23 - Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property**

Committee: **Budget & Taxation**

Date: **March 27, 2025**

Position: **Unfavorable**

The Apartment and Office Building Association (AOBA) of Metropolitan Washington is the leading non-profit trade association representing the owners and managers of more than 23 million square feet of commercial office space and 133,000 apartment rental units in Montgomery and Prince George's counties. AOBA submits the following testimony in opposition to House Bill 23.

House Bill 23 allows counties to assess a special tax rate for commercial and industrial properties to fund transportation improvements and county school systems as required under the state's maintenance of effort law. The bill allows the counties to set a special rate up to 12.5 cents per $100 of assessed value for the class of property to which the rate applies.

AOBA understands the need to raise additional revenue for transportation and education, given state and county budget challenges. However, the additional taxing authority in HB23 is neither necessary nor prudent. There is no rational nexus between commercial properties and school funding, and counties have had the authority to create special taxing districts to fund transportation improvements since 2010 (SB 828).

Montgomery County established only one special taxing district located in the White Flint area of North Bethesda. Properties in the White Flint Special Taxing District have been charged 10-11 cents per $100 of assessed value since 2011. This tax was projected to bring in $45 million in revenue over 10 years. According to a 2021 Montgomery County Council staff memorandum, however, the District only generated about one-third of this expected revenue[1].

This revenue shortage is likely to persist if counties are granted the additional taxing authority outlined in HB23. The value of commercial office properties is linked to their capitalization rate, which is calculated by dividing the property's net operating income by its most recent purchase price. High office vacancy rates reduce net operating income, leading to a lower capitalization rate, and, consequently, a decrease in property values.

1https://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2021/20210316/20210316_GOTE1.pdf

The commercial office market in Maryland continues to grapple with rising vacancy rates, due to increased telework and hybrid work schedules. Attached to this testimony is a graphic illustrating the state of the office market in Montgomery County, which is the largest office market in the state. Despite being in desirable, amenity-rich areas near transit, these properties continue to see their values decline from pre-pandemic highs.

These properties are not outliers. The most recent Montgomery County Economic Indicators Report shows the county office vacancy rate has risen to 18.3%. This represents a two-percentage point increase year-over-year and six-percentage points above pre-pandemic levels[2]. Office vacancy rates are likely to continue climbing as long-term leases expire and employers continue to reduce their office space needs. Furthermore, the federal government's recent cancellation of millions of square feet of commercial leases and planned sale of federal office buildings will only add to the glut of vacant office space in Maryland.

Lastly, some have argued that this taxing authority would make Maryland counties more competitive with those in Northern Virginia. However, that is unlikely because Virginia counties have distinct advantages, including no income tax, a lower corporate tax rate, lower fuel energy taxes, and lower or no development impact taxes.

For these reasons, AOBA urges an unfavorable report on House Bill 23. For more information, please contact Hugo Cantu at hcantu@aoba-metro.org.

[2] https://thinkmoco.com/wp-content/uploads/2024/10/MoCo-Economic-Indicators-Briefing-Q2-2024_100724.pdf

STATE OF THE OFFICE MARKET
MONTGOMERY COUNTY, MD

AOBA
APARTMENT AND OFFICE BUILDING ASSOCIATION OF METROPOLITAN WASHINGTON

7500 Old Georgetown Road
Bethesda

Sold in 2024 for **$30 million**
Down 78% from its
high of $133.8M

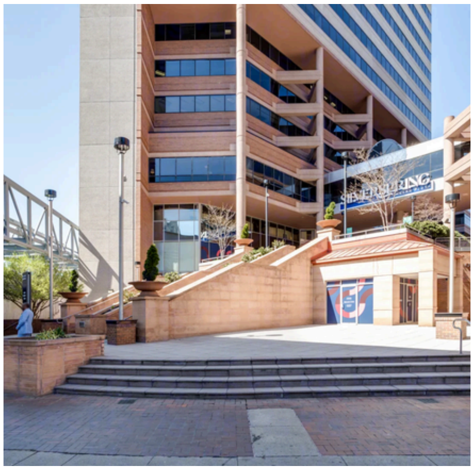
1801 Rockville Pike
Rockville

Sold in 2024 for **$14 million 30% below** its 2024 assessed value of **$22 million**

1 Inventa Place
Silver Spring

Sold in 2018 for **$70 million**
Assessed at **$51 million** in 2025

8403 Colesville Road
Silver Spring



Assessed at **$84 million** in 2025
Down from $98 million in 2022

8484 Georgia Ave, 1010 &
1100 Wayne Ave
Silver Spring

Assessed at **$25-$35 million** in 2025
Down $10 million from 2019

121 Rockville Pike
Rockville

Auctioned for **$10 million** in 2024
60% below its **$26 million**
assessed value

Sources: CoStar & SDAT

Brian Anleu, Vice President of Government Affairs, MD | banleu@aoba-metro.org | 240-381-0494
Hugo Cantu, Government Affairs Manager, MD | hcantu@aoba-metro.org | 240-701-1990

HB 23 - Special Tax Rates - Commercial Property -
Uploaded by: Tom Ballentine
Position: UNF

NAIOP
MARYLAND CHAPTERS
THE ASSOCIATION FOR COMMERCIAL REAL ESTATE

March 25, 2025

The Honorable, Guy Guzzone, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West
Annapolis, Maryland 21401

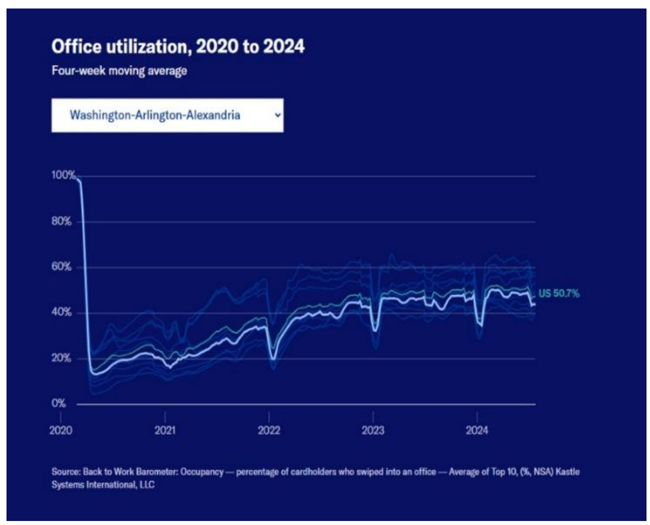
Unfavorable: HB 23 – Property Tax – Authority to Set Special Rates - Commercial and Industrial Property

Dear Chair, Guzzone, and Committee Members:

The NAIOP Maryland Chapters represent seven hundred companies involved in all aspects of commercial, industrial, and mixed-use real estate. On behalf of our member companies, I am writing to request your unfavorable report on HB 23 which authorizes an average of 12% higher property tax rates on commercial and industrial property.

The timing and amount of this tax increase will put further financial stress on commercial real estate and increase the disproportionate share of local government services funded by commercial real estate taxes and fees.

- **Slow Return to Office** - During the third reader debate in the House of Delegates the bill sponsor referenced a February 20, 2025, Washington Post Article, *"More people are working from the office"* as evidence of the strength of the office real estate market and commercial real estate's ability to abosorb higher taxes authorized by HB 23.

  The article reported that, in Washington D.C., the percentage of the work week when office space was being utilized hit a post pandemic record of 51%. This information was presented as if office utilization (return to office) had recovered to what it was before the pandemic when in fact, office utilization in Washington D.C. was only half the pre-pandemic rate. The graph on the right shows the history of the Kastle Systems data tracking of return to office referenced in the article.

- **High Maryland Vacancy and Negative Absorption Rates** - The Cushman and Wakefield office report for Washington D.C. reported 888,000 more square feet of office space was vacated and returned to building owners than was rented in 2024 – this is known as negative net absorbtion. The year end office vacancy rate was 21.2% and zero office construction projects broake ground during the year.

  The Montgomery County office vacancy rate as of the 4^{th} quarter of 2024 was 22.6%. Montogmery, Frederick and Prince Geoprge's County office markets experienced negative net absorbtion of more than 777,000 square feet and no new projects under construction. The vacancy rate in Baltimore City Center was 28.2%.

According to the March 10, 2025, report from Moody's, Federal austerity measures including cuts to US government head count and office space pose a greater threat to Maryland than to any other state.

- **Increased Commercial Property Taxes Put Downward Pressure on Assessed Values and Shrink the Commercial Tax Base** - Commercial real estate values are largely determined by their ability to generate income, which is measured through Net Operating Income. Higher property taxes increase operating expenses, which directly reduces Net Operating Income and lowers property values.
- **Higher Taxes Impact Financing and Loan Underwriting** – Debt Service Coverage Ratio measures the extent to which commercial rents cover a building's operating costs. When taxes rise lower operating incomes can weaken the debt coverage ratio to below minimum levels set by banks and lending institutions. Lenders may require higher downpayments or impose stricter loan terms making financing more difficult to obtain or more expensive.
- **Commercial Development is Subject to Transportation Impact Fees, and Excise Taxes that Generate Funding and Adequate Public Facilities Regulations that Generate In-Kind Construction of State and Local Transportation Facilities** – In many jurisdictions NAIOP members pay impact fees to fund expansion of transportation facilities and provide in-kind services in the form of upgraded intersections and road improvements as a condition of development approval. These taxes and road improvements are development costs embedded in the sales prices of new buildings. HB 23 would "double tax" property owners for some of the same purposes and would do so without regard for the adequacy of transportation infrastructure serving the buildings that pay the increased taxes or whether the class of property paying the increased tax is generating demand for expanded transportation infrastructure.
- **Increased Taxes Will Pass Through to Small Businesses Under Common Lease Provisions** - The common commercial real estate lease for many small service and retail businesses is a lease where the tenant pays for regular expenses like utilities and property taxes. The increased taxes resulting from HB 23 will be passthrough expenses. If taxes sharply increase, tenants may struggle to afford rent or seek alternatives in lower-tax areas.
- **Breaks with Principle of Uniform Taxation** - The bill would break the long-standing principle that all property owners should pay uniform tax rates. The annual reevaluation of transportation capital and operating costs and resetting of rates exposes building owners and their tenants to unpredictable increases in taxes. Most commercial leases are 5 to 10 years or longer. The leases anticipate gradual increases in taxes based on property appreciation. There is no opportunity to renegotiate sharply increased tax bills and few borrowing options to respond to volatile or unpredictable tax rates.
- **Commercial Real Estate is Already Heavily Taxed, Generating Higher Net Tax Benefits Than Other Classes of Property** – There is very little doubt that the authority would result in narrowly drawn and disproportionately high commercial real estate taxes. Commercial real estate already pays state and local property taxes, transfer and recordation taxes on leases, sales, and mortgages. These existing commercial real estate taxes generate significantly more revenue than the cost of public services provided to commercial real estate.
- **Geographically Focused Higher Taxes Near Transit Will Add Higher Tax Rates to Existing Higher Assessed Values** - Financially viable transit districts should already generate higher tax revenues as a

result of higher assessed valuations for property within the designated transit areas. HB 23 authorizes higher tax rates be applied to those valuations.

For these reasons, NAIOP respectfully requests your unfavorable report on HB 23.

Sincerely,

T.M. Ballentine

Tom Ballentine, Vice President for Policy
NAIOP – Maryland Chapters, *The Association for Commercial Real Estate*

cc: Budget and Taxation Committee Members
Nick Manis – Manis, Canning Assoc.

DO NOT SUPPORT OF BILL20250321_11240737.pdf

Uploaded by: Tom Wieland

Position: UNF

I DO NOT SUPPORT THIS BILL:BECAUSE

THIS BILL AS WRITTEN DOES NOT WARRANT IT"S EXPENSE

Tom Wieland

2464 Symphony Lane

Gambrills, Md. 21054