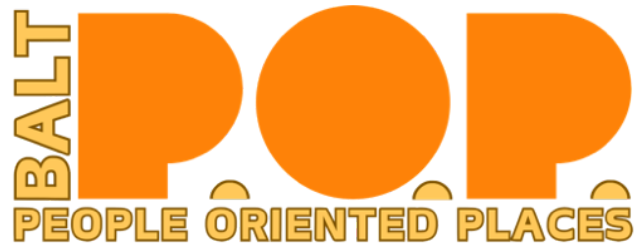


Legislation: HB1178

Title: Baltimore City - Property Taxes -
Authority to Set Special Rates

Position: **Favorable with Amendments**

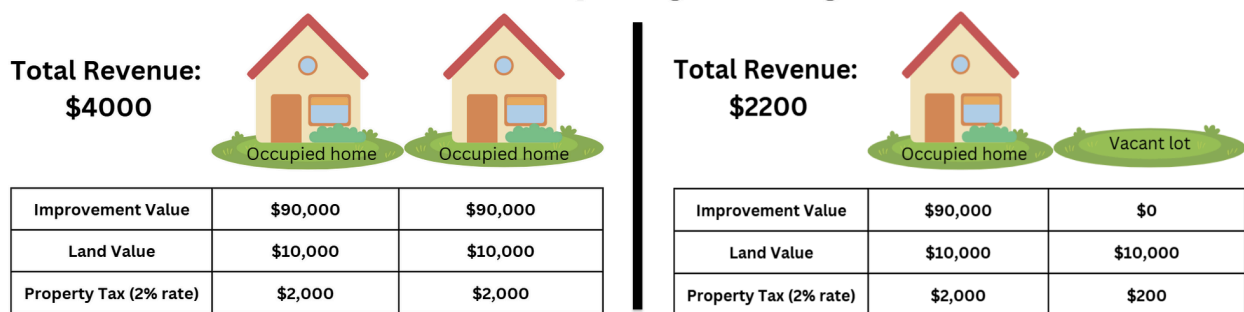


Members of the House Ways and Means Committee,

As a group which believes that cities or towns are the highest level of governance available for those looking to make a direct impact on their communities, BaltPOP wants local governments to have more tools at their disposal to achieve specific goals. HB1178 does exactly that for Baltimore, bringing the city in line with other municipalities in the state in terms of taxation tools. BaltPOP strongly supports more jurisdictions having the ability to enact either split-rate or land-value tax in order to discourage land speculation and encourage the productive use of land, which would be a part of the power vested to Baltimore in this bill.

A land value, or split-rate tax is a modification of the existing real property tax (which is actually two taxes: one on the land, one on the improvements). As it currently stands, all of Maryland's counties and Baltimore City are required to levy the same tax rate on these two subclasses of real property. This does not incentivize the productive use of city land. (Below, and figures 1 and 2)

Current Property Tax System

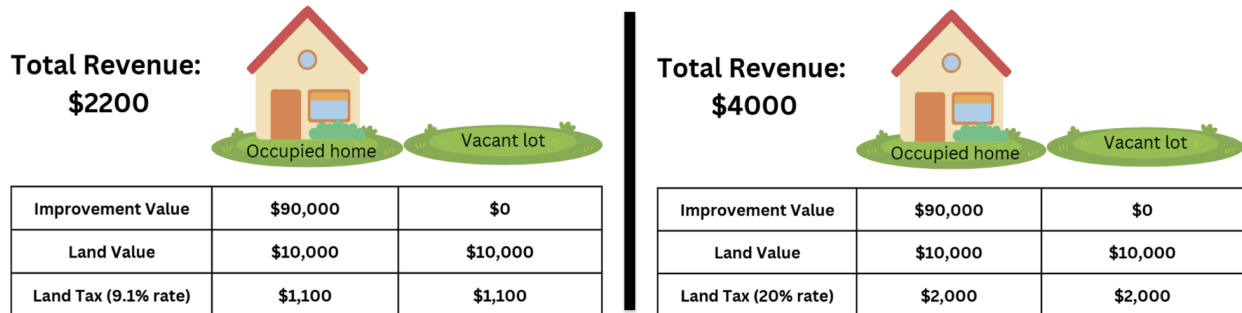


Under the current tax system, the owner of the vacant lot pays \$1,800 less in taxes than the homeowner.

This bill would give Baltimore the power to levy different rates on each subclass, ideally shifting more of the burden of taxation from the improvements (buildings) on a piece of property and, instead, onto the land itself.

The benefit of this change is overwhelmingly received by those who are invested and embedded in our community. Those who maintain homes and businesses win while land speculators lose out. (Below, and figures 3 and 4)

Land Value Tax Shift

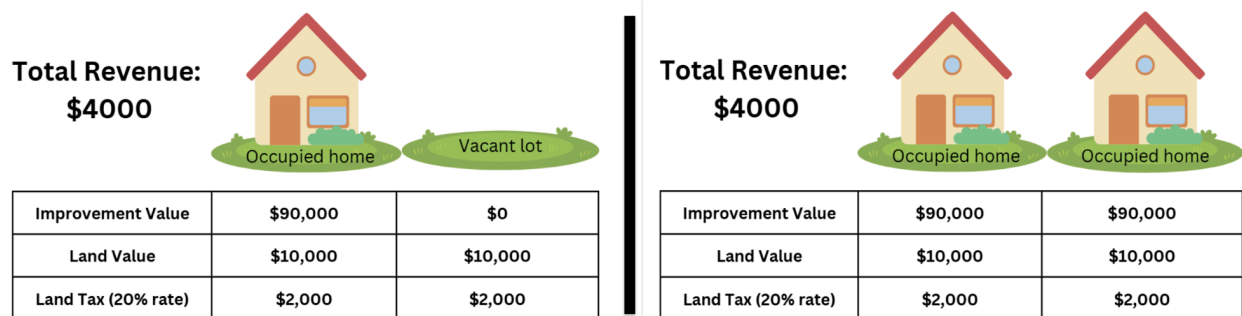


Under a 9.1% Land Value Tax instead of the current 2% Property Tax, the city receives the **same** \$2,200 in total revenue even though the homeowner realizes a \$900 **tax break**. Under a 20% Land Value Tax, the city receives \$1,800 **more** in total revenue even though the homeowner's tax remains the **same**.

This stands in contrast to tax incentives which often only benefit new development while leaving long-standing residents out in the cold.

Further, this taxation structure encourages construction of housing on vacant land or plots with vacant homes on them - because the jump in property taxes resulting from those improvements would be less than the jump in property taxes under the current flat property tax structure (Below, and figures 4 and 5).

Land Value Tax Shift



Under a Land Value Tax, a newly-built home does not incur **any additional tax** than the previous vacant lot.

This also benefits homeowners who might want to improve their property by building an addition or performing other renovations - who are otherwise discouraged by the prospect of a reassessment that will substantially increase their taxes.

As written, this bill would grant Baltimore City broad authority to set special rates on all classes of property. **We would prefer to see the bill amended - to more narrowly grant Baltimore City the ability to simply set a special rate on land only (whether unimproved or**

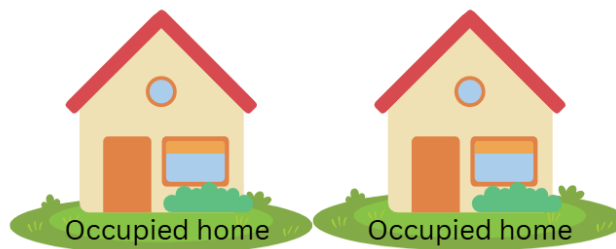
improved). This would allow the city to lower its current overall property tax rate, and then make up for the lost revenue with a higher tax rate on land only.

We hope the committee finds these points helpful and convincing and we urge its members to **vote in favor of HB1178, with our suggested amendments**. Thank you for your efforts and the opportunity for us to testify on this legislation.

[BaltPOP - Baltimoreans for People-Oriented Places](#)

Current Property Tax System

Total Revenue:
\$4000

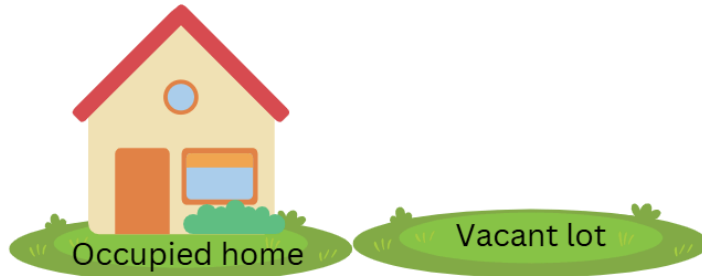


Improvement Value	\$90,000	\$90,000
Land Value	\$10,000	\$10,000
Property Tax (2% rate)	\$2,000	\$2,000

Figure 1: Revenue collection for two occupied homes under the current property tax system

Current Property Tax System

Total Revenue:
\$2200

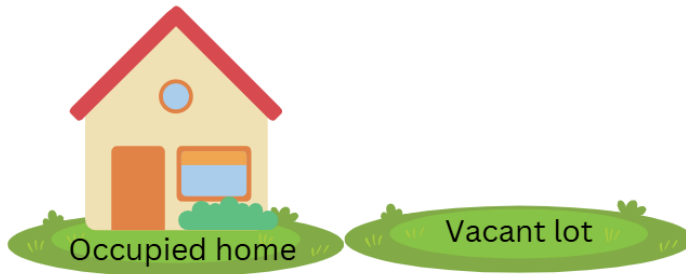


Improvement Value	\$90,000	\$0
Land Value	\$10,000	\$10,000
Property Tax (2% rate)	\$2,000	\$200

Figure 2: Revenue collection for an occupied and vacant home under the current property tax system. The owner of the vacant lot pays \$1,800 less in taxes than the homeowner.

Land Value Tax Shift

Total Revenue:
\$2200

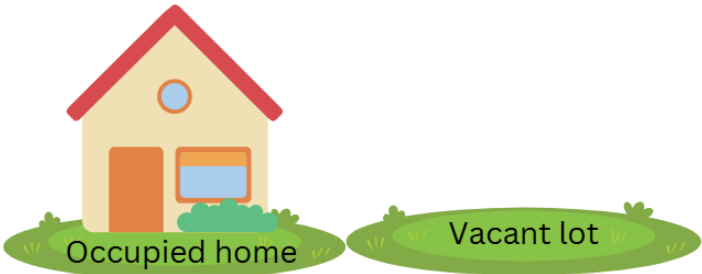


Improvement Value	\$90,000	\$0
Land Value	\$10,000	\$10,000
Land Tax (9.1% rate)	\$1,100	\$1,100

Figure 3: Occupied home and vacant home under the Land Value Tax shift. Note the 9.1% Land Value Tax instead of the original 2% Property Tax. The city receives the **same** \$2,200 in total revenue even though the homeowner realizes a \$900 **tax break**.

Land Value Tax Shift

Total Revenue:
\$4000

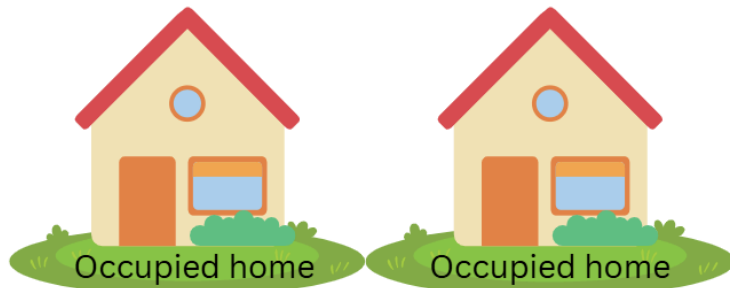


Improvement Value	\$90,000	\$0
Land Value	\$10,000	\$10,000
Land Tax (20% rate)	\$2,000	\$2,000

Figure 4: Occupied home and vacant home under the Land Value Tax shift with revenue matching existing property tax system. Note the 20% Land Tax instead of the original 2% Property Tax. The city receives \$1,800 **more** in total revenue even though the homeowner pays the **same** in taxes as before.

Land Value Tax Shift

**Total Revenue:
\$4000**



Improvement Value	\$90,000	\$90,000
Land Value	\$10,000	\$10,000
Land Tax (20% rate)	\$2,000	\$2,000

Figure 5: Revenue collection of two occupied homes under the land value tax shift. Note how under a 20% Land Tax structure, the newly-built home on the right does not incur any additional tax than the previous vacant lot.