NAIOP
MARYLAND CHAPTERS
THE ASSOCIATION FOR COMMERCIAL REAL ESTATE

January 28, 2025

The Honorable, Vanessa E. Atterbeary, Chair
House Ways and Means Committee
Room 131, House Office Building
Annapolis, Maryland 21401

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

Dear Chair, Atterbeary and Committee Members:

On behalf of the NAIOP Maryland Chapters representing 700 companies involved in all aspects of commercial, industrial, and mixed-use real estate I am writing to strongly oppose HB 23.

This bill authorizes the counties and the City of Baltimore to set a special tax rate for subclasses of property within a special taxing district established to finance transportation projects and provides authority to apply jurisdiction-wide special tax rates to provide educational funding. NAIOP requests the committee consider the following points:

- The bill would break the long-standing principle that property owners should pay uniform tax rates and there is very little doubt that the authority would result in narrowly drawn and disproportionately high commercial real estate taxes.
- Section 21-701 of the Local Government Article removes county-wide charter limitations on the maximum property tax rate and the growth of property tax revenues that would otherwise apply inside a transportation special taxing district.
- The combined effect of HB 23 and this existing provision would allow a narrowly drawn subset of property owners to be taxed without the limitations that generally protect taxpayers from excessive levies. This would happen at a time when many commercial buildings are struggling with high vacancies and reduced cash flows.
- Transportation funding deficits are in part due to lower motor fuel taxes and reduced transit ridership. Both trends can be traced to post COVID-19 hybrid and remote work that have also resulted in high office vacancy rates and reduced cash flow for businesses located in employment districts. The taxes enabled by HB 23 would put additional financial pressure on already distressed properties, slow the recovery of business districts and make new developments harder to stabilize.
- Financially viable transit districts should already generate higher tax revenues as a result of higher assessed valuations for property within the designated areas. HB 23 authorizes higher tax rates be applied to those valuations.
- Commercial real estate already generates more net tax revenue - real property, transfer, and recordation taxes - development fees and in-kind infrastructure improvements to local governments than any other property class.

For these reasons NAIOP respectfully recommends your unfavorable report.

Sincerely,

T.M. Ballentine

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

cc: Ways and Means Committee Members
Nick Manis – Manis, Canning Assoc.

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