



**Testimony in Favor of  
HOUSE BILL 1178:**

**An Act Concerning  
Baltimore City – Property Taxes –  
Authority to Set Special Rates**

**Hearing of the Ways and Means Committee**

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**Rick Rybeck, Director  
Just Economics, LLC**

My name is Rick Rybeck. I am an attorney with a master's degree in real estate and urban development. I serve as the director of Just Economics, LLC, a consultancy that helps communities harmonize economic incentives with public policy objectives for job creation, affordable housing, transportation efficiency and sustainable development.

I am testifying in support of House Bill 1178, introduced by Delegate Caylin Young and co-sponsored by delegates Addison, Amprey, Boyce, Edelson, Embry, R. Lewis, Ruff, and Smith. The primary purpose of this legislation is to provide Baltimore City with the same power to set tax property tax rates as is now provided to most other Maryland municipalities pursuant to MD TAX-PROPERTY CODE § 6-303(c)(1). There is no reason why Baltimore should not have taxing power parity with other Maryland municipalities.

## **BACKGROUND:**

In Maryland, the law governing property tax assessments and rates is Article 15 of the Declaration of Rights and reads as follows:

**Art. 15.** That the levying of taxes by the poll is grievous and oppressive, and ought to be prohibited; that paupers ought not to be assessed for the support of the government; that the General Assembly shall, by uniform rules, provide for the separate assessment, classification and sub-classification of land, improvements on land and personal property, as it may deem proper; and all taxes thereafter provided to be levied by the State for the support of the general State Government, and by the Counties and by the City of Baltimore for their respective purposes, shall be uniform within each class or sub-class of land, improvements on land and personal property which the respective taxing powers may have directed to be subjected to the tax levy; yet fines, duties or taxes may properly and justly be imposed, or laid with a political view for the good government and benefit of the community (*amended by Chapter 390, Acts of 1914, ratified Nov. 2, 1915; Chapter 64, Acts of 1960, ratified Nov. 8, 1960*).

Article 15 states that “land” and “improvements on land” are (or could be) separate classes of property. It also states that “sub-classes” of property can be created. Therefore, while both buildings and land should be assessed at their full fair market value, the Maryland Declaration of Rights permits applying different tax rates to privately-created building values and publicly-created land values.

Additionally, MD TAX-PROPERTY CODE § 6-303(c)(1) permits Maryland municipalities to do this. The text reads as follows:

“(c) Single rate for all property. --

(1) **Unless otherwise provided by the governing body of the municipal corporation:**

(i) there shall be a single municipal corporation property tax rate for all real property subject to municipal corporation property tax except for operating real property described in § 8-109(c) of this article; and . . .”

“Unless otherwise provided . . .” means that a municipal government may set different rates on different classes of property.

However, MD TAX-PROPERTY CODE § 6-302, governing the setting of property tax rates by Baltimore City and Maryland counties provides no “*unless otherwise provided*” language. Thus, Baltimore City and Maryland counties are not allowed to set different tax rates for different classes of property. There is no justifiable reason why Maryland law should prohibit Baltimore City from exercising the tax rate setting powers that other Maryland municipalities may employ. House Bill 1178 amends § 6-302 and rectifies this situation. If only for fairness and parity, House Bill 1178 should be enacted into law.

### **RATE-SETTING PARITY IS IMPORTANT:**

Economic theorists as diverse as Adam Smith, Karl Marx, Milton Friedman and Joseph Stiglitz (among others) all agree that community-created land values are a justifiable source of community revenue for at least two reasons:

- First, land values are created by nature and by communities, chiefly through the provision of public goods and services. Therefore, returning community-created land values to communities is fair and just;
- Second, returning community-created land values to a community does not penalize or discourage productive investment. In fact, by increasing the costs of land hoarding and reducing the profits from land speculation, land value return helps keep land prices more affordable while inducing development of high-value land – which is typically located near existing infrastructure amenities and where we want development to occur in order to avoid urban sprawl.

These same theorists also agree that taxing privately-created building values increases the cost of building production, thereby reducing their construction, improvement and maintenance. These economists would agree that taxing building values increases building prices while reducing employment and economic vitality. Thus, without new spending or losing revenue, shifting the property tax off of privately-created building values and onto community-created land values can help make both buildings and land more affordable. And, as a bonus, this tax shift encourages infill development. Infill development reduces urban sprawl. Sprawl is bad for agriculture, bad for the environment (including the Chesapeake Bay) and expensive for taxpayers who must pay for the wasteful duplication of infrastructure at the urban fringe.

The effects of this tax shift are not simply theoretical. They have been proven empirically by studying communities that have reduced the property tax rate applied to building values while increasing the rate applied to land values. For more information, see “**AVOIDING MIS-GIVINGS: RECYCLING COMMUNITY-CREATED LAND VALUES FOR AFFORDABILITY, SUSTAINABILITY AND EQUITY,**” *Journal of Affordable Housing & Community Development Law*, Vol. 28 No. 2, 2019, pp299-323. This article can be found at <https://drive.google.com/file/d/1RElQPQ0ZQWIHPzixb90rjGr3LYWrxqu/view> .

## **BALTIMORE IS READY FOR SUCCESS**

Although housing prices in Baltimore are typically less than in some other east-coast cities, for people who are unemployed, even cheap housing can be unaffordable. As mentioned above, this reform will reduce the cost of building maintenance and improvement. It will also encourage the redevelopment of vacant properties. Thus, Baltimore could induce more employment, more infill development and more affordable rents for both businesses and residents without new spending or preferential tax abatements for a favored few. In fact, this tax shift could be characterized as a “**universal tax abatement**,” because it would reduce the tax rate applied to all buildings. Unfortunately, Section 302 of the Maryland Property Tax Code prevents this common-sense reform that has been successfully implemented in other communities. And this is why House Bill 1178 is both necessary and important.

This idea is not new. In 1992, the Baltimore City Council enacted a resolution (Council Bill No. 220), urging the Maryland legislature to make this change. In 2020, the Maryland Association of Counties (MACo), endorsed House Bill 1276. House Bill 1320 (2021) and HB 310 (2022) were both introduced by Delegate Boyce and were similar to House Bill 1178.

HB 1178 provides Baltimore City with the same power to set tax property tax rates as is now provided to most other Maryland municipalities pursuant to MD TAX-PROPERTY CODE § 6-303(c)(1). Some delegates might object, expressing a concern that Baltimore might abuse this new power. This same power has resided with other Maryland municipalities for many years. They have not abused it. Elected Baltimore officials are just as accountable to their constituents as municipal officials elsewhere in Maryland.

Some delegates might object to HB 1178 because it applies only to Baltimore and not to all Maryland counties. If delegates wish to amend this Bill to include other Maryland counties, Just Economics would support that amendment.

## **DO THE RIGHT THING:**

House Bill 1178 does not mandate tax reform. But, Baltimore deserves the opportunity and the right that is afforded to every other municipal government in Maryland to pursue this reform should it choose to do so. Voting “Yes” on House Bill 1178 would end baseless discrimination and provide Baltimore an opportunity to pursue a no-cost tax shift to increase employment, economic vitality and affordable housing.

Thank you for the opportunity to **testify in support of House Bill 1178**. Please contact me if you have any questions or concerns about my testimony.