February 4, 2025

The Honorable Vanessa E. Atterbeary, Chair
130 Taylor House Office Building
Annapolis, Maryland 21401

Oppose: HB 330 – Improvements to Property Adjacent to Rail Stations - Special Rates and Penalty

Dear Chair, Atterbeary and Committee Members:

The NAIOP Maryland Chapters represent approximately 700 companies involved in all aspects of commercial, industrial, and mixed-use real estate. On behalf of our member companies, I am writing in opposition to HB 330 which would authorize a form of land value taxation and separate tax penalties in areas within one mile of rail stations.

The land value tax or split rate property tax applies a lower tax rate to improvements / buildings and a higher tax rate to the land on which they are located. In theory, the land value tax better reflects the locational value of the property being taxed. Advocates for this approach argue the split rate property tax will spur redevelopment of well-located but underdeveloped land, increase the density of urban development and stimulate infill development on vacant parcels. The reasoning is that when improvements are taxed at a lower rate than the land the owner has an economic incentive to make improvements to the property.

Page 4, lines 7-13 would authorize Baltimore City and the counties to set a special tax rate for the value of buildings and other improvements on land that is located within one mile of a rail station. Page 4, lines 17-22 authorizes the establishment of a tax penalty for improvements that are subject to a special tax rate.

What the bill proposes is a significant change to the uniformity of property tax rates that has been the foundation for property taxes in Maryland. The bill does not specify what the new rates for improvements would be or what the proposed penalties would be. The literature on Land Value Taxation warns that in high value areas split rate property taxes can sharply increase taxes overall. It is not clear that the tax is intended to be revenue neutral or that a special rate for improvements is required to replace the taxes assessed under 6-302 (a) or could be added to it using the tax penalty authority granted in the bill.

NAIOP believes it is unlikely that HB 330 will invigorate transit-oriented development projects or locations. The financial incentives or added tax burden placed on underdeveloped parcels of land will not remove other barriers to development such as zoning, infrastructure adequacy, local opposition, and market conditions.

For these reasons, NAIOP respectfully requests your unfavorable report on HB 330.

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.