House Bill 641 – State Property Tax – Transportation Funding (Transportation Funding Act of 2025)

Position: Oppose

Maryland REALTORS® opposes HB 641, which would allow for the state to establish classes or subclasses of property and impose an additional assessment based on this classification for the purposes of financing transportation projects.

Under current law, property taxes for residential, commercial, and industrial properties are assessed at a uniform rate. REALTORS® are concerned that by enabling the state to enact a differential rate by the type of property as well as its proximity to a transportation project would create distortions in the market which could then disincentivize investments in properties and regions that are subject to the higher property tax rates.

Real estate is not an undertaxed asset. It is already subject to eight taxes: two transfer taxes (state and local); a recordation tax; a recording fee; two property taxes; a bay restoration property surtax; and a stormwater fee. In addition, real estate contributes billions of dollars in new revenue each year to state and local governments because of increasing property assessments.

The imposition of differential tax rates would impact properties classified as residential even if they were not subject to an additional rate. Often commercial properties "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. As a result of the real estate costs already in effect, 84% of Maryland residents believe that the cost of housing is too high and 87% say that having enough money for downpayments and closing costs is an obstacle to purchasing a home.

Maryland REALTORS® are concerned that legislation such as HB 641, which shifts the funding mechanism for Maryland's Transportation Trust Fund to property owners would incentivize these individuals and business entities to consider relocating to a neighboring state, which would further stall economic growth in Maryland.

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

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