

Nonprofit Tax Exemption Should Serve Nonprofit Purposes

Position Statement in Support of House Bill 1189

Given before the Ways and Means Committee

Nonprofit organizations are exempt from various taxes in recognition of the public benefits they provide. However, this exemption is appropriate only when the untaxed property or activity actually produces public benefits. House Bill 1189 would grant the City of Baltimore the tools needed to ensure that the reality of the nonprofit property tax exemption matches its purpose. **For these reasons, the Maryland Center on Economic Policy supports House Bill 1189.**

Nonprofit organizations own a great deal of real property in Baltimore City and use a significant amount of public services, but pay nothing in property taxes:

- Nonprofit organizations own 18,000 properties in Baltimore City, accounting for 20% of the value of all tax-exempt property statewide, according to the Baltimore City Office of the Comptroller.ⁱ
- If these properties were taxed, they would constitute 30% of the city's property tax base and generate \$389 million in annual revenue.
- Major nonprofit "anchor institutions" receive nearly \$48 million in city services each year.
- Some large nonprofit institutions also receive direct public support, with three private Baltimore City universities together receiving nearly \$37 million in state general funds in the FY 2026 proposed budget.ⁱⁱ

While these tax benefits may be appropriate when nonprofit organizations use real estate in a way that aligns with their mission and creates value for the general public, they are not appropriate when organizations hold property without using it to conduct mission-related activity, such as by simply leaving land undeveloped.

House Bill 1189 would grant the City of Baltimore limited power to tax undeveloped or otherwise inappropriately used land owned by nonprofit organizations. It would also build on the progress made in 2024 when the General Assembly enacted Chapter 277 allowing counties to establish a special tax rate on vacant and abandoned properties.

House Bill 1189 includes two guardrails limiting how the city may use this taxing power:

- The tax may be levied only on real property that has not been used for legitimate nonprofit purposes for three consecutive years
- The tax rate may not exceed 10 times the general real property tax rate.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Ways and Means Committee make a favorable report on House Bill 1189.

Equity Impact Analysis: House Bill 1189

Bill summary

House Bill 1189 would authorize the mayor and city council of Baltimore City to set a special real property tax rate for real property owned by a nonprofit organization but not used for the purpose for which the organization was created for at least three consecutive years. The tax rate on property in this subclass may not exceed 10 times the general property tax rate.

Background

- Nonprofit organizations own 18,000 properties in Baltimore City, accounting for 20% of the value of all tax-exempt property statewide, according to the Baltimore City Office of the Comptroller.
- If these properties were taxed, they would constitute 30% of the city's property tax base and generate \$389 million in annual revenue.
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Equity Implications

Expanding local revenue policy options would strengthen local governments' ability to invest in things like world-class schools and reliable transportation infrastructure. Investing in these basics strengthens our economy and can dismantle the economic barriers that back Marylanders of color.

Impact

House Bill 1189 would likely **improve racial and economic equity** in Maryland.

ⁱ Christine Griffen, “Promising PILOTS: A Look at How Baltimore and Other Cities Manage Tax Gaps with Non-Profit Institutions,” Baltimore City Office of the Comptroller, 2024, <https://comptroller.baltimorecity.gov/sites/default/files/Promising%20PILOTS%20-%20Report%20-%20March%2022,%202024.pdf#page=12>

ⁱⁱ Maryland FY 2026 Operating Budget, R62I00.03 Joseph A. Sellinger Formula for Aid to Non-Public Institutions of Higher Education, <https://dbm.maryland.gov/budget/Documents/operbudget/2026/proposed/FY2026-Volume2.pdf#page=285>
Includes Johns Hopkins University, Loyola University Maryland, and Maryland Institute College of Art