HB23 Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property
House Ways and Means Committee
January 28, 2025

Position: Unfavorable

The Maryland Retailers Alliance is opposed to HB23 which would lead to tax increases on commercial and industrial properties in Maryland. While we understand the need for continued funding for State and local services, imposing additional taxes on commercial and industrial properties is not only a misguided approach, but one that would have far-reaching negative effects on Maryland's economy, job market, and long-term growth.

Negative Impact on Economic Growth and Job Creation

Commercial and industrial properties are critical to the economic vitality of Maryland. These properties are home to businesses of all sizes, ranging from local startups to established global companies. They are centers of innovation, employment, and commerce, providing jobs for thousands of Maryland residents. Raising taxes on these properties will impose an additional financial burden on businesses, particularly those already grappling with rising costs in areas such as labor, raw materials, and transportation.

Property taxes are already the highest average tax burden imposed on businesses. When faced with an increase to these taxes, businesses may be forced to reduce their workforce, raise prices, or cut back on expansions and investments. For the grocery industry, smaller companies, and manufacturers who already work with narrow margins, such a tax increase could threaten their survival. Larger corporations may also be pushed to relocate to states with more favorable tax environments, taking jobs and economic activity with them. Ultimately, this tax increase could slow Maryland's economic growth and discourage job creation, precisely at a time when many are looking for stability and new opportunities.

Increased Burden on Local Communities

Commercial and industrial properties are often a key source of tax revenue for local governments; however, increasing taxes on these properties could have unintended consequences for local communities. Industrial properties in particular are often located in economically distressed areas where these businesses play a critical role in revitalization efforts and job creation. Higher taxes could deter investment in these communities, slowing down development and progress. Rather than seeing a boost in tax revenue, local governments may experience a loss in economic activity and tax revenue due to businesses leaving or scaling back their operations.

Additionally, the impact on small businesses in these communities could be especially severe. Many small business owners already face challenges with rising overhead costs, including rent, insurance, and utilities. An increase in property taxes would add to these financial pressures, potentially forcing many small businesses to close or relocate, leaving vacant storefronts and empty buildings behind.

Protecting Maryland's Competitive Advantage

Maryland has struggled in growing our economy and becoming attractive to new business. The proposed enabling of tax increases on commercial and industrial properties risks undermining the state's competitive advantage, particularly when neighboring states with lower tax rates already appear more attractive. Rather than imposing punitive measures on businesses, Maryland should prioritize maintaining a favorable business climate that supports job creation, growth, and long-term economic stability.

We respectfully urge the committee to reconsider the proposed tax increases on commercial and industrial properties and to adopt more balanced, thoughtful approaches to funding government services that do not hinder business growth or economic prosperity. Thank you for your time and consideration on this important issue.