



Support with Amendments:
HB 330 – Property Tax - Improvements to Property
Adjacent to Rail Stations –
Subclasses and Special Rates

Testimony of Rick Rybeck, Director

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Dear Members of the Ways and Means Committee:

Just Economics, LLC, is a consultancy that helps communities harmonize economic incentives with public policy objectives for job creation, affordable housing, transportation efficiency and sustainable & equitable development. Much of the work that I do regards infrastructure funding in relationship to various fees and taxes. A lot of my time and research has been devoted to the property tax.

For many years, Just Economics has educated the public and its clients about the perverse incentives embedded in the traditional property tax. Owners who construct or improve buildings are punished with higher taxes while those who allow buildings to deteriorate are rewarded with lower taxes. And those who leave land vacant pay the least tax, even though it costs communities about the same to provide public infrastructure in front of similar-sized lots, regardless of whether they are developed or vacant.

HB 330 is intended to rectify, at least partially, the perverse incentives associated with the traditional property tax. In areas within one mile of a passenger rail or transit rail station, a jurisdiction would be allowed to reduce the property tax rate applied to the value of buildings. This would make buildings cheaper to construct, improve and maintain over their useful lives. And, since areas near rail stations are where we want development to occur, this incentive makes good sense. Of course, jurisdictions cannot afford to give away revenues needed for essential public goods and services. Therefore, in these same areas, jurisdictions would be allowed to increase the return of transit-created land values.

Unfortunately, the language of HB 330, as introduced, was confusing and would not accomplish the intended objective. Therefore, I strongly urge the Members of the Committee to adopt the following amendments:

AMENDMENT NO. 1

On page 1, in line 2, strike “**Improvements to**”; in lines 2 and 3, strike “**Subclass, Special Rate, and Penalty**” and substitute “**Subclasses and Special Rates**”; in line 5, strike “a subclass of real property consisting” and substitute “certain subclasses”; in line 6, strike “improvements to”; in line 7, after “for” insert “each subclass of”; strike beginning with “authorizing” in line 7 down through “set;” in line 11; strike beginning with “a” in line 11 down through “to” in line 12 and substitute “special property tax rates for”; in line 21, strike the first comma and substitute “and”; and in the same line, strike “, and 14-702(e)”.

AMENDMENT NO. 2

On page 2, in line 13, strike “**A PENALTY SET UNDER § 14-702(E)**” and substitute “**TAX REVENUE ATTRIBUTABLE TO A SPECIAL RATE SET UNDER § 6 202.2**”; in line 14, strike “**PENALTY**” and substitute “**TAX REVENUE**”; in line 16, strike “**50%**” and substitute “**5%**”; and in lines 18 and 20, in each instance, strike “**50%**” and substitute “**95%**”.

On page 3, in line 2, after “STATE” insert “, **INCLUDING A PURPLE LINE STATION**”; and in lines 4 and 5, strike “A SUBCLASS OF REAL PROPERTY CONSISTING OF” and substitute “**THE FOLLOWING SUBCLASSES OF REAL PROPERTY:**”

- (1) **LAND, IMPROVED AND UNIMPROVED, THAT IS LOCATED WITHIN 1 MILE OF A RAIL STATION;**
- (2) **AND (2)**;

and in line 5, strike “REAL PROPERTY” and substitute “**LAND**”.

On page 4, in line 9, strike “IMPROVEMENTS TO” and substitute “**EACH SUBCLASS ESTABLISHED UNDER § 6-202.2 OF THIS TITLE FOR**”; strike beginning with “OR” in line 12 down through “SECTION” in line 13; and strike in their entirety lines 14 through 26, inclusive.

These amendments will align implementation of the legislation with its original intent.

My understanding is that Delegate Stewart, the sponsor of HB 330, introduced an almost identical set of amendments. The only difference is as follows:

On page 3, on lines 4 and 5, Delegate Stewart offered the following language:

- (1) **UNIMPROVED LAND THAT IS LOCATED WITHIN 1 MILE OF A RAIL STATION;**

I recommend the following language instead:

- (1) **LAND, IMPROVED AND UNIMPROVED, THAT IS LOCATED WITHIN 1 MILE OF A RAIL STATION;**

The reason for this change is that all land within 1 mile of a rail station benefits from enhanced value due to the proximity of the rail station. Therefore, it is justifiable, efficient and equitable to return transit-created land value back to the communities that created it. There may (or may not) be unimproved land in this area. Also, it is much easier, administratively to apply a higher rate of land value return on all land than only upon unimproved land. This is particularly true because a parcel’s status as *improved* or as *unimproved* may change from time to time, whereas its benefit from proximity to a rail station is constant regardless of its status as improved or unimproved.

I am happy to answer any questions or concerns that the Committee Members may have. I can be reached at r.rybeck@justeconomicsllc.com or by phone at (202) 439-4176.

Thank you for the opportunity to testify.