

January 21, 2025

The Honorable Guy Guzzone
3 West, Miller Senate Office Building
Annapolis, MD 21401



Senate Bill 224- Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property: Oppose

Chair Guzzone, Vice Chair Rosapepe, and members of the Budget and Taxation Committee,

ICSC respectfully asks for an unfavorable report on SB224, Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property.

ICSC is the member organization for the advancement of the Marketplaces Industry, encompassing shopping centers, malls, main streets, and the commerce they drive and the communities they create. Our member network includes property owners, developers, financial institutions, professional service providers, and, importantly, shopping center tenants such as retailers, restaurants, gyms, childcare providers, and health centers. In Maryland, 1,900 marketplaces with over 525,000 jobs represent nearly 14% of the State's workforce. For over 65 years, ICSC has promoted and elevated marketplaces and spaces where people shop, dine, work, play, and gather as foundational and vital components of everyday life.

The bill would allow the City of Baltimore and any county in the State of Maryland to establish their own subclass of real property and set a special tax rate. Zones of real property outlined in the bill include Commercial, Industrial, Commercial/Industrial Condominium, Residential/Commercial, and Commercial/Residential.

This policy presents several significant concerns:

1. Erosion of Statewide Uniformity in Property Taxation:

The bill would reverse the longstanding precedent of a single tax rate on real property across Maryland. This uniformity has been critical for ensuring predictability and fairness in property taxation. Creating a patchwork system of varying rates across counties would create disparity, potentially disadvantaging certain regions and discouraging investment in areas with higher rates.

2. Increased Administrative and Compliance Burdens:

The introduction of new subclasses and the associated special tax rates would impose significant administrative challenges on property owners and tenants. Mixed-use developments, which often include both residential and commercial aspects, would face complex calculations to determine exemptions and applicable rates. This complexity could result in costly compliance efforts and discourage future mixed-use projects.

3. Potential Negative Impact on Investment and Development:

Higher tax rates on commercial and industrial properties could deter investment in critical sectors that drive Maryland's economy. Prospective developers and businesses may opt to invest in neighboring states with more predictable and uniform tax policies.

4. Economic Ripple Effects:

Shopping centers and marketplaces, which are key drivers of local economies, could face increased operating costs under the proposed legislation. This would not only strain property owners but also lead to higher rents for tenants, including small businesses. Increased costs could jeopardize the financial viability of many businesses, potentially leading to vacancies, reduced services, and job losses in communities statewide.

5. Unintended Consequences for Communities:

The proposed policy could disproportionately affect communities that rely on commercial hubs to drive local economic activity and generate tax revenue. Reduced private-sector investment and higher tenant turnover could undermine these hubs, weakening the economic and social fabric of neighborhoods across Maryland.

For these reasons, ICSC strongly opposes SB224 and urges an unfavorable report. We believe this legislation would create significant economic and administrative challenges while undermining the stability and growth of Maryland's vital marketplaces and commercial sectors.

Eric McWilliams
Chair, ICSC Maryland Government Relations Committee

For any questions or more information regarding ICSC's position, please contact Michael.Walsh@capitol-strategies.com