



January 19, 2026

The Honorable, Guy Guzzone, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West
Annapolis, Maryland 21401

Unfavorable: SB 244 – Property Tax – Authority to Set Special Rates - Commercial and Industrial Property

Dear Chair, Guzzone, and Committee Members:

The NAIOP Maryland Chapters represent seven hundred companies involved in all aspects of commercial, industrial, and mixed-use real estate. On behalf of our member companies, I am writing to recommend your unfavorable report on SB 244 which authorizes local governments to impose a property tax surcharge on commercial and industrial property to fund local transportation and education services.

There is very little doubt that the authority in SB 244 would result in commercial real estate taxes that duplicate other local taxes and fees utilized for the same purposes. The SB 244 tax surcharge would put additional financial pressure on commercial real estate when it is struggling with a stagnant state economy, a post-pandemic restructuring of workplace behavior and tenant geographic migration that is creating persistent double-digit vacancy rates across multiple markets.

- **Commercial Real Estate Already Generates Higher Net Tax Benefits Than Other Classes of Property** – Commercial real estate already pays state and local property taxes, transfer and recordation taxes on leases, sales, and mortgages. These existing commercial real estate taxes generate significantly more revenue than the cost of public services provided to commercial real estate. SB 244’s tax surcharge would increase the disproportionate share of local government services already funded by commercial real estate.
- **Special Rates Would Duplicate Transportation Impact Fees and Adequate Public Facilities Requirements** – In most jurisdictions commercial real estate is subject to transportation adequate public facilities requirements, impact fees, or excise taxes both at new construction and major renovations. In many jurisdictions NAIOP members pay impact fees to fund expansion of transportation facilities in addition to upgrading intersections and making road improvements as a condition of development approval or building permits at building renovation. SB 244 would “double tax” these property owners for the same purposes without regard for the adequacy of transportation infrastructure serving these buildings or whether those paying the additional taxes are generating demand for expanded transportation infrastructure.
- **No Nexus or Direct Relationship** – Jurisdictions in Maryland do not assess education impact fees or excise taxes on commercial and industrial property because these types of development do not generate school students. SB 244 ignores this legal and policy basis by establishing a narrowly drawn commercial and industrial property tax surcharge for education operating and capital expenses.

- **The 12.5 cent Cap on Tax Surcharge Still Enables Substantial Tax Increases** – The bill caps special tax rates at 12.5 cents per \$100 of assessed value. Based on current county tax rates, even with the cap, the bill authorizes commercial and industrial tax increases of between 12% and 15%.
- **Breaks with Principle of Uniform Taxation** - The bill would break the long-standing Maryland principle that all property owners should pay uniform tax rates.
- **Increased Commercial Property Taxes Put Downward Pressure on Assessed Values and Shrink the Commercial Tax Base** - Commercial real estate values are largely determined by their ability to generate income, which is measured through Net Operating Income. Higher property taxes increase operating expenses, which directly reduces Net Operating Income and lowers property values.
- **Higher Taxes Impact Refinancing and Loan Underwriting** – Debt Service Coverage Ratio measures the extent to which commercial rents cover a building’s operating costs. When taxes rise lower operating incomes can weaken the debt coverage ratio to below minimum levels set by banks and lending institutions. Lenders may require higher downpayments or impose stricter loan terms making financing more difficult to obtain or more expensive.
- **Increased Taxes Will Pass Through to Small Businesses Under Common Lease Provisions** - The common commercial real estate lease for many small service and retail businesses is a lease where the tenant pays for regular expenses like utilities and property taxes. The increased taxes resulting from SB 244 will be passthrough expenses. If taxes sharply increase, tenants may struggle to afford rent or relocated to lower-tax areas.

For these reasons, NAIOP respectfully requests your unfavorable report on SB 244.

Sincerely,



Tom Ballentine, Vice President for Policy

NAIOP – Maryland Chapters, *The Association for Commercial Real Estate*

cc: Budget and Taxation Committee Members
Nick Manis – Manis, Canning Assoc.