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IN OPPOSITION TO SB 457

Budget and Taxation Committee
Maryland Senate
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: Seante Bill 457 - An Act concerning Property Taxes – Authority of Counties to Establish Subclasses and Set Separate Rate for Land and Improvements to Land

Dear Members of the Committee:

I am writing to express opposition to Senate Bill 457, which proposes allowing separate property tax rates on the “land” and “improvement” components of real property assessments. While I understand the intent is to promote efficient land use or development, I believe this approach will prove to be too difficult to administer, more expensive than advocates anticipate, throw many well-established aspects of our property tax system into chaos, and will not produce the positives hoped for.

Professional Background

My name is Alexander H. Bushel. I practice in law Baltimore, Maryland at Abramoff Bushel LLC. Our firm’s practice consists almost entirely of real property tax assessment appeals. I have been a member of the Maryland Bar since 2009 and the Kentucky Bar since 2008. I have served on the Maryland State Bar Association’s Tax Section Council. My focus has been in this area of the law since 2010.

In our practice, we represent taxpayers from every county and Baltimore City. We represent the owners of houses, office buildings, shopping centers, golf courses, nursing homes, hotels, marinas, mines, apartments, warehouses, factories, hospitals, farms, etc. This representation includes assessment appeals, property tax exemptions and credits, and any other ancillary property tax issues.

The “Land Tax” of SB 457 Has Theoretical Appeal, but Reality and Practical Considerations Would Create Complexity and Inequity in Our Property Tax System

The distinction between land and improvement values on Maryland property tax assessments is largely artificial. These figures on your assessment notices are merely allocations derived from the total assessed value of a property. When an assessment is appealed, the petitioner must prove that the total value is different from the appealed assessment.

Much of the time, there is woefully deficient evidence on which to base such exact determinations (i.e., the values attributable to land and to improvements). For commercial properties that are most accurately valued based on the income they produce, attempting to back into allocations between land and improvements is dependent on a host of hard to measure variables that essentially guarantees inaccuracy and more administrative burdens for SDAT.

The wild inaccuracy these allocations will inevitably result in is a reason that historically (i.e., in Pittsburgh) these bifurcated tax rates end up being scrapped.

SDAT’s Budget Note should not be taken lightly – Maryland has a State Assessment System and SDAT needs to be prepared for any Possibility Statewide.

Maryland, uniquely, has a statewide assessment regime administered by the Department of Assessments and Taxation (SDAT). This uniform system is a strength and one of the few bright spots in Maryland’s tax landscape as it compares to sister states.

SDAT has a statewide database and software system for assessing. The system handles everything from the calculation of values to the issuance of notices. As detailed in SDAT’s Budget Note, many changes would need to be made to these systems if this legislation is adopted. SDAT would have to be immediately prepared to produce these assessments (accurately) and perform certain calculations (i.e., phase-ins for both interests) in case any county adopts such a tax. SDAT would also suddenly be in the position where “land values” must be precise. SDAT will have to devote serious effort, *statewide*, to making the land and improvement assessment allocations uniform, correct, and defensible in the appeal process. Wholesale changes to SDAT’s systems will be required no matter how few, *if any*, jurisdictions adopt this.

SB 457 Will Create Unintended Chaos Throughout the State’s Property Tax Regime

The language of SB 457 may appear simple and only alter two existing sections of the Tax-Property Article, however, it radically changes many assumptions that underpin Maryland’s property tax regime.

As discussed, SDAT has heretofore only had to focus and defend the total assessment (or total value of a property). A total value can be more accurately determined than what the land and

improvements are worth separately. Under SB 457, however, SDAT will not only have a greatly expanded mandate (i.e., assessing not just one interest in a property, but two, effectively doubling its assessing workload), it will have to defend both assessments (land **and** improvements for each property) in the appeal process. This could inundate the agency with appeals, especially when valuing these interests separately in a split tax system is destined to sow confusion and resentment among taxpayers.

This Bill has not been thought through and will create plainly absurd results. For instance, when an assessment increases over the previous triennial assessment, the increase is phased-in in thirds over the course of the next triennial cycle, while decreases go into effect immediately.

These phased-in assessments are what the tax rate is applied to calculate the property tax. Under the current regime, a possible phase-in of a new assessment could be as follows:

	Previous Triennial Assessment Year 2023	New Triennial Assessment Year 2026	Taxable Phase-In Year 2026	Taxable Phase-In Year 2027	Taxable Phase-In Year 2028
Land	\$300,000	\$100,000	N/A	N/A	N/A
Improvements	\$100,000	\$600,000	N/A	N/A	N/A
Total	\$400,000	\$700,000	\$500,000	\$600,000	\$700,000

Under SB 457, however, we would now get:

	Previous Triennial Assessment Year 2023	New Triennial Assessment Year 2026	Taxable Phase-In Year 2026	Taxable Phase-In Year 2027	Taxable Phase-In Year 2028
Land	\$300,000	\$100,000	\$100,000	\$100,000	\$100,000
Improvements	\$100,000	\$600,000	\$266,667	\$433,333	\$600,000
Total	\$400,000	\$700,000	\$366,667	\$533,333	\$700,000

In effect, the “phase-in,” will actually *lower* taxable assessments (the tax base) due to the bifurcated system for this property. This is important because Maryland, uniquely, has a statewide property tax that must be applied uniformly. In this example, the property taxes collected by the State will go down versus under our current system. Moreover, due to the uniformity requirement of Article 15, bifurcated phase-ins will be needed statewide whether or not any jurisdictions adopt split rates.

Along these lines, it is also important to note that the change proposed in SB 457 will require a wholesale reworking of various property tax credits, including the Homestead Tax Credit, the

Enterprise Zone Tax Credit, and the Brownfields Tax Credit. SB 457 will sow chaos with these credits unless a massive reworking of Tax-Property Article is undertaken.

The Committee must contemplate such scenarios and their effects before unleashing this on the State.

SB 457 Is Not the Right Policy for the Problems Its Advocates Identify

Fundamentally, the premise underlying SB 457—that taxing land at a higher rate will encourage more “efficient” use—is flawed. Land valuation is often speculative and highly context-dependent. In many cases, land is difficult to value accurately, particularly in areas facing uncertain development prospects, zoning limitations, or environmental constraints. In practice, differential taxation of such values would likely distort fair taxation rather than promote efficiency.

Moreover, a “land tax” will not cure the problems its advocates identify. The Center for Land Economics’ report, *Vacant Land in Baltimore: The High Cost of Undervaluation*, cites the 2300 block of Whittier Avenue near Druid Hill Park, where seven of fifteen single-family lots are vacant and allegedly underassessed at \$1,000 each, as evidence that low land assessments encourage owners to hoard property. In reality, these lots are likely not even worth \$1,000, appear abandoned, and, I suspect in most cases, their owners are no longer living. From public records, it appears that no one has paid the \$23.60 annual tax bill ($\$1,000 \text{ assessment} \times 2.36\% \text{ tax rate}$) on any of these lots in any of the last three years. Nor has anyone attempted to redeem any of these properties at tax sale. There is no reason to believe that higher taxes will impel any change in these lots.

On the commercial side, prime lots in downtown Baltimore that remain undeveloped or used for parking are not being “hoarded” by “speculators” either. They remain undeveloped because there is no demand for them to be developed. The City has lost half its population. An entirely new “downtown” has been subsidized, by taxpayers, in Harbor East a few blocks away. Who is going to build a new office building when downtown vacancy is at historic highs and office rents have remained flat (in unadjusted dollars) since the late 1980s?

In other jurisdictions, the difficulty of accurate land valuations combined with perfectly “tuning” a land tax rate has not led to the desired results. More likely than optimal development results is a revolt by taxpayers from fluctuating tax bills that they do not understand.

Conclusions and Recommendation

Maryland’s property tax system functions most effectively when it sticks to raising revenue, while creating as little economic distortion as possible. SB 457 would undermine this simplicity and predictability while seeking theoretical economic results. For these reasons, I urge you to oppose this legislation.

Budget and Taxation Committee
February 18, 2026
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Thank you for considering my views.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Bushel', with a stylized flourish at the end.

Alexander H. Bushel