



**Testimony in Favor of
SENATE BILL 457:**

**An Act Concerning
Property Taxes – Authority of Counties to Establish
Subclasses and Set 2 Separate Rates for Land and
Improvements to Land**

Hearing of the Budget and Taxation Committee

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My name is Rick Rybeck. I am an attorney with a master’s degree in real estate and urban development. I serve as the director of Just Economics, LLC, a consultancy that helps communities harmonize economic incentives with public policy objectives for job creation, affordable housing, transportation efficiency and sustainable development.

I am testifying in **support** of **Senate Bill 457**, introduced by Senator Jim Rosapepe. The primary purpose of this legislation is to provide Maryland counties and Baltimore City with the same power to set property tax rates as is now provided to most other Maryland municipalities pursuant to MD TAX-PROPERTY CODE § 6-303(c)(1). There is no reason to deny Maryland counties and Baltimore City taxing powers delegated to Maryland municipalities. **Senate Bill 457 provides “tax parity.”**

BACKGROUND:

In Maryland, the law governing property tax assessments and rates is Article 15 of the Declaration of Rights and reads as follows:

Art. 15. That the levying of taxes by the poll is grievous and oppressive, and ought to be prohibited; that paupers ought not to be assessed for the support of the government; that the General Assembly shall, by uniform rules, provide for the separate assessment, classification and sub-classification of land, improvements on land and personal property, as it may deem proper; and all taxes thereafter provided to be levied by the State for the support of the general State Government, and by the Counties and by the City of Baltimore for their respective purposes, shall be uniform within each class or sub-class of land, improvements on land and personal property which the respective taxing powers may have directed to be subjected to the tax levy; yet fines, duties or taxes may properly and justly be imposed, or laid with a political view for the good government and benefit of the community (*amended by Chapter 390, Acts of 1914, ratified Nov. 2, 1915; Chapter 64, Acts of 1960, ratified Nov. 8, 1960*).

Article 15 states that “land” and “improvements on land” are (or could be) separate classes of property. It also states that “sub-classes” of property can be created. Therefore, while both buildings and land should be assessed at their full fair market value, the Maryland Declaration of Rights permits applying different tax rates to privately-created building values and publicly-created land values.

Additionally, MD TAX-PROPERTY CODE § 6-303(c)(1) permits Maryland municipalities to tax land and improvements at separate rates. The text reads as follows:

“(c) Single rate for all property. --

(1) **Unless otherwise provided by the governing body of the municipal corporation:**

(i) there shall be a single municipal corporation property tax rate for all real property subject to municipal corporation property tax except for operating real property described in § 8-109(c) of this article; and . . .”

“Unless otherwise provided . . .” means that a municipal government may set different rates on different classes of property.

However, MD TAX-PROPERTY CODE § 6-302, governing the setting of property tax rates by Maryland counties and Baltimore City includes no “*unless otherwise provided*” language. Thus, Maryland counties and Baltimore City are not allowed to set different tax rates for different classes of property. There is no justifiable reason why Maryland law should prohibit Maryland counties and Baltimore City from exercising the tax rate setting powers that other Maryland municipalities may employ. Senate Bill 457 amends § 6-302 and rectifies this situation. If only for fairness and parity, Senate Bill 457 should be enacted into law.

RATE-SETTING PARITY IS IMPORTANT:

Economists as diverse as Adam Smith, Karl Marx, Milton Friedman and Joseph Stiglitz (among others) all agree that taxing privately-created building values increases the cost of building production, thereby reducing their construction, improvement and maintenance. These economists would agree that taxing building values increases building prices while reducing employment and economic vitality. It is also true that if a property owner improves a building, doing so does not impose any cost on the community. So why penalize this beneficial activity with an increase in taxes? Thus, a strong case can be made for reducing the property tax applied to building values.

These same economists also agree that community-created land values are a justifiable source of community revenue for at least two reasons:

- First, land values are created by nature and by communities, chiefly through the provision of public goods and services. Therefore, returning community-created land values to communities is fair and just -- as property owners pay in proportion to the benefits they receive from public goods and services;
- Second, returning community-created land values to a community does not penalize or discourage productive investment. In fact, by increasing the costs of land hoarding and reducing the profits from land speculation, land value return helps keep land prices more affordable while inducing development of high-value sites – which are typically located near existing infrastructure amenities and where we want development to occur in order to avoid urban sprawl.

Thus, without new spending or revenue loss, shifting the property tax off of privately-created building values and onto community-created land values can help make both buildings and land more affordable. As a bonus, this tax shift encourages infill development which reduces urban sprawl. Sprawl is bad for agriculture, bad for the environment (including the Chesapeake Bay) and costly for taxpayers who must pay for the wasteful duplication of expensive infrastructure systems at the urban fringe.

The effects of this “**Tax Shift**” are not simply theoretical. They have been proven empirically by studying communities that have reduced the property tax rate applied to building values while increasing the rate applied to land values. About twenty cities in Pennsylvania, including the state capital of Harrisburg, are taxing improvement values at lower rates than land values. Additionally, land value return has been used to finance flood control dams in Ohio and rural irrigation districts in California. For more information, see “AVOIDING MIS-GIVINGS: RECYCLING COMMUNITY-CREATED LAND VALUES FOR AFFORDABILITY, SUSTAINABILITY AND EQUITY,” *Journal of Affordable Housing & Community Development Law*, Vol. 28 No. 2, 2019, pp299-323. This article can be found at <https://drive.google.com/file/d/1REIQPQ0ZQWIJHPzixb90rjGr3LYWrxqu/view> . (For a shorter, less scholarly article, see "[Land value return](#)" and [building a more equitable economy - Shareable](#).)

MARYLAND COUNTIES AND BALTIMORE CITY ARE READY FOR SUCCESS

Maryland counties are quite diverse. Some are very urban, some are very rural and others are in between. The good news is that the Tax Shift mentioned above has worked well in both urban and rural communities, in large cities and small towns. A Tax Shift could be helpful in promoting more affordable transit-oriented development along the Purple Line transit corridor in Montgomery County and Prince George’s County while reducing economic displacement of working-class families and small businesses.

Although housing prices in Baltimore are typically less than in some other east-coast cities, for people who are unemployed, even cheap housing can be unaffordable. As mentioned above, reducing the tax rate applied to building values while increasing the rate applied to land values will reduce the cost of building construction, improvement and maintenance, thereby increasing these activities and employment. It will also encourage the redevelopment of vacant properties. Instead of preferential tax abatements for a favored few, a Tax Shift could be characterized as a “**universal tax abatement**,” because it would reduce the tax on all buildings.

Thus, **Maryland counties and Baltimore could induce more employment, more infill development and more affordable rents for both businesses and residents without new spending or revenue loss.** In other words, a Tax Shift would make implementing jurisdictions more economically vibrant and competitive. If this reform became popular, Maryland’s economy would improve, along with its fiscal health.

Despite all of the positive effects associated with a “land value return tax shift,” most people are not familiar with it. It’s natural, therefore, to have questions. Many of the most common questions and concerns regarding a Tax Shift are answered by Baltimore Thrive on their website at <https://baltimorethrive.org/learn-more/> .

As mentioned above, taxing improvement values and land values at different rates could be very positive for Maryland counties and Baltimore City. Unfortunately, Section 302 of Title 6 of the Maryland Property Tax Code prevents this common-sense reform that has been successfully implemented in other communities. And this is why Senate Bill 457 is both necessary and important.

This idea is not new. In 1992, the Baltimore City Council enacted a resolution (Council Bill No. 220), urging the Maryland legislature to make this change. **The Maryland Association of Counties (MACo), endorsed House Bill 1276** (in 2020). See https://www.ciclt.net/ul/mdcounties/HB1276_MACo_SUPPORT_Kinnally.pdf . Delegate Boyce introduced House Bill 1320 (in 2021) and House Bill 310 (in 2022) which were similar to Senate Bill 457. House Bill 1178 (in 2025) was introduced to permit a Tax Shift around designated intercity rail and rail transit stations. **Senate Bill 457** (a cross file for House Bill 78 introduced by Delegate Stewart in 2026), **is superior to most of these other bills because it is simple, straight-forward and comprehensive.**

SB 457 provides Maryland counties and Baltimore City with the same power to set tax property tax rates as is now provided to most other Maryland municipalities pursuant to MD TAX-PROPERTY CODE § 6-303(c)(1). Some delegates might object to Senate Bill 457, expressing a concern that jurisdictions governed by MD TAX-PROPERTY CODE § 6-302 might abuse this new power. This same power has resided with Maryland municipalities for many years. They have not abused it. Elected officials in Maryland counties and Baltimore City are just as accountable to their constituents as municipal officials elsewhere in Maryland.

FISCAL AND POLICY NOTE

Although the Fiscal and Policy Note accompanying SB 457 should be objective, it appears to be misleading.

Fiscal Summary, State Effect:

The Fiscal Note states that the fiscal effect on the State would be approximately \$39 million in FY2027 and approximately \$8 million in FY2031. The accuracy of this estimate is questionable in light of several factors:

1. Given the sophistication of assessment software and its voluminous data storage, it is difficult to believe that relatively minor changes in the billing equation and data storage would require such a large expenditure.

Status quo: $[(\text{land assmt} + \text{building assmt}) - \text{assmt deductions}] \times \text{rate} = \text{bill}$

Tax Shift: $[(\text{land assmt} - 50\% \text{ deductions}) \times \text{land rate}] + [(\text{building assmt} - 50\% \text{ deductions}) \times \text{building rate}] = \text{bill}^*$

* Of course, whether to take deductions equally off land and building assessments or to deduct them in different proportions is a policy question that could be handled through Tax Shift implementing ordinances.

2. Even if the SDAT cost estimate is correct, **SB 457 does not require this spending.** Municipalities already have the authority to tax land and improvements at separate rates. Therefore, if SDAT needs to spend money to improve its assessments and billing software to accommodate taxing land and improvements at separate rates, **existing law already requires this expenditure. Therefore, SB 457 would have no fiscal impact on the State.**
3. SB 224 is similar legislation to SB 457. SB 224 allows counties and Baltimore to establish separate classes of real property and to set different tax rates upon those classes. Maryland municipalities already have this authority. The Fiscal and Policy Note for SB 224 states that **SB 224 has no fiscal impact on the State.** In light of point #2 above and in light of the similarity between SB 224 and SB 457, **the accuracy of the Fiscal and Policy Note for SB 457 appears to be questionable.**

Potential Advantages & Disadvantages of Land Value Taxation

The Fiscal Note assumes that jurisdictions might use SB 457 to tax building values at lower rates than land values. While SB 457 would allow this, **SB 457 also allows the exact opposite and it allows for no change whatsoever.** Therefore, these potential advantages and disadvantages could be reversed or irrelevant, depending upon the actions or inactions of Maryland counties and Baltimore.

DO THE RIGHT THING:

Senate Bill 457 does not mandate tax reform. Maryland counties and Baltimore City could continue with the traditional property tax if they think that it is in their best interest. But, these communities deserve the opportunity and the right that is afforded to every other municipal government in Maryland to pursue a “Tax Shift” reform should they choose to do so. **Voting “Yes” on Senate Bill 457 would end baseless discrimination and provide many Maryland jurisdictions an opportunity to pursue a no-cost Tax Shift to increase employment, economic vitality and affordable housing.**

Thank you for the opportunity to **testify in support of Senate Bill 457.** Please contact me if you have any questions or concerns about my testimony.

You can contact me at r.rybeck@justeconomicsllc.com .