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SB 405

February 11, 2026

TO: Members of the Budget & Taxation Committee
FROM: Nina Themelis, Director of the Mayor's Office of Government Relations
RE: SB 405 - Baltimore City - Sales Tax - Authorization

POSITION: Support

Chair Guzzone, Vice Chair Rosapepe, and Members of the Delegation, please be advised that the Baltimore City Administration (BCA) **supports** House Bill (SB) 405.

SB 405 would allocate one third of the Sales and Use tax revenues collected within Baltimore City limits back to the City of Baltimore. Each percentage point of sales tax within the city generates approximately \$70 million annually.

Most City of Baltimore expenses and revenues align with many other cities across the country, but there are three elements within the City that best reflect why this legislation is needed. Baltimore City has an unusually high property tax rate, an unusually low level of capital investment, and no local sales tax. Most cities in the country that are on par with Baltimore City receive a share of the local sales tax revenue or are authorized to generate their own sales tax revenue. 89% of US cities with a population of over 200k have some form of local share from the sales tax collected within their borders supporting their budget. Even further, Baltimore is one of only three major independent cities in the country, along with St. Louis, MO (5.45% local sales tax share) and Carson City, NV (3.0% local sales tax share). All other major cities are part of larger counties. This means that Baltimore does not have the ability to draw on the resources of a county-wide government, and the full burden of running an urban center with cultural, educational, and health care institutions that draw in visitors from across the region and around the world falls largely on the city's homeowners.

The Baltimore City Administration has made strides in bringing major capital investment to previously underinvested parts of the city and developed the 10-year strategic financial plan to bring the effective property tax rate for owner-occupied properties below \$2.00 for the first time since the 1970s. The lack of a local sales tax is a direct contributing factor to Baltimore City's high property taxes. In a recent analysis, the CUNY Institute for State & Local Governance found that Baltimore's peer cities derive an average of 22% of their General Fund from property tax, and

21% from local sales tax. Baltimore currently draws 49% of our General Fund from property tax, and 0% from Sales Tax.

By providing Baltimore with a share of the sales tax we generate, Maryland would be aligning its tax policy with Virginia, Pennsylvania, New York, North Carolina, and many other states. Reverting one third of the local sales tax would allow the city to A) raise \$1.5 billion in capital over the next 15 years, which would allow us to complete the vacants strategy and fully eradicate vacant houses in Baltimore City, and B) allow us to cut every owner-occupied property tax bill by \$1,000 per year. This would be game-changing for working- and middle- class homeowners, help existing residents stay in their homes, and incentivize renters as well as prospective new residents to get on the homeownership path. This portion of the sales tax generated locally would give Baltimore City a critical tool to sustainably and self-sufficiently drive our economic prosperity.

For these reasons, the BCA respectfully request a **favorable** report on SB 405.