



## Frederick County Council Steven J. McKay, District 2

### **SB 427 – Property Taxes – Authority of Counties to Establish a Subclass and Set a Special Rate for Personal Property of Data Centers**

**DATE:** February 18, 2026  
**COMMITTEE:** Senate Budget and Taxation Committee  
**POSITION:** Favorable  
**FROM:** Steven J. McKay, Frederick County Council, District 2

I would like to strongly urge the Senate Budget and Taxation Committee to give SB 427 a favorable report to enable County governments to assess a targeted business personal property tax on data centers.

As you are all aware, in recent years, jurisdictions across the State of Maryland have seen increased interest in locating large, intensive, hyper-scale data center operations in their jurisdictions. The magnitude of the resource utilization and impacts on local government – and local communities – of these new hyper-scale data centers are unlike those we’ve experienced with data centers built even as recently 10-15 years ago. Frederick County has been on the leading edge of this rapidly evolving and growing technical landscape for the last five years with the development of the Quantum Maryland hyper-scale data center campus.

As we have studied and planned for the development of this industry in Frederick County, we have looked toward Northern Virginia’s experience to help guide our way. One thing has become very clear from that experience, the primary source of the vast tax revenues received by Northern Virginia has been their business personal property tax. Northern Virginia counties charge between \$4 and \$5 per \$100 in value of the equipment and materials subject to the business personal property tax, specifically:

- Loudoun, Prince William, Fauquier - \$4.15
- Fairfax - \$4.57
- Arlington - \$5.00

Currently in Frederick County, we do not charge a business personal property tax because of the impact it could have on our diverse business economy, and particularly upon our small businesses. Further, under Maryland law, counties are limited to assessing a business personal property tax no higher than 2.5x the real property tax rate. In Frederick County, that would equate with a potential business personal property tax of \$2.77. In other words, if this bill is passed, Maryland counties would have a great deal of flexibility to create a limited and targeted business personal property tax that would remain highly competitive to Northern Virginia, while still enabling the enormous revenue potential that this industry represents.

For Northern Virginia counties, this revenue source has represented the lion's share of their revenue bonanza from this industry – not real property taxes, not one-time recordation fees – it's been the annual business personal property tax. In FY23 alone, Loudoun County received \$576M from their data center business personal property tax. During a period in Maryland where both the State and Counties are stressed to fund critical priorities like school construction and affordable housing, we must do everything we can to capitalize on the revenue potential of this industry.

Critics of this argument will counter that a comparison between Maryland and Northern Virginia is off base, due to the lower property taxes in Northern Virginia. While it may be true that the real property tax rate is marginally lower than many Maryland counties, we must remember that this lower tax rate is assessed against Northern Virginia land values that are much higher. Despite this fact, and despite the existing business personal property tax, the data center industry continues to aggressively expand in Northern Virginia. The lesson from that is that the economics of this industry can tolerate this tax regime, and currently Maryland is largely ignoring it, to the detriment of our citizens.

However, if you remain concerned about this legislation, and enabling counties to create this limited and targeted data center business personal property tax, I'd like to point out one last feature of the bill. Under current Maryland law, counties must impose a uniform tax rate on different subclasses of business personal property, and it may not exceed 2.5x the real property tax rate. This bill would enable counties to tailor a business personal property tax rate for data centers, different from other subclasses of property. For Maryland counties who currently have a business personal property tax, and who desire to encourage data center development, this bill would allow them to lower the business personal property tax rate for data centers, as an inducement for additional development. That isn't our goal in Frederick County, but we recognize the value this may represent to other counties.

In conclusion, this bill will not impact State revenue projections because the business personal property tax is specific to the City of Baltimore and the counties. It will, however, represent an enormous opportunity for Frederick County and other Maryland counties to more effectively leverage the revenue potential of this industry, and I urge you to support this legislation.

Sincerely,

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

Steve McKay  
Frederick County Council, District 2