

Feb. 16, 2026

Support, Senate Bill 427 “Property Taxes – Authority of Counties to Establish a Subclass and Set a Special Rate for Personal Property of Data Centers.” Hearing Feb. 18, 2026, Budget and Taxation Committee.

Senator Guy Guzzone, Chairman, Senator Jim Posapepe, Vice Chair, Senator Karen Lewis Young, bill sponsor, and Members of the Senate Budget and Taxation Committee,

Thank you for the opportunity to submit testimony in support of SB 427.

SB 427 makes a targeted change in the Tax – Property Article to allow the Mayor and City Council of Baltimore City or the governing body of a county to create, by local law, a subclass of personal property consisting of all personal property of a “qualified data center,” and then set a single special personal property tax rate for that subclass of data center personal property.

The bill simply gives local governments the option to tailor their personal property tax treatment of data centers when they believe it serves their fiscal and economic interests.

SB 427 builds directly on Maryland’s existing definition of a “qualified data center” in Tax – General § 11-239. Under current law, to qualify a data center must, within three years of applying for the sales and use tax exemption:

- Invest at least \$2,000,000 in qualified data center personal property and create at least five qualified positions if located in a Tier I area; or
- Invest at least \$5,000,000 in qualified data center personal property and create at least five qualified positions elsewhere in the State.

Data centers are capital-intensive facilities with large personal property footprints, including computer systems, storage equipment, and associated infrastructure used to process and store large volumes of data. In competing jurisdictions, business personal property taxes on data centers are a major revenue source and a key variable in site-selection decisions.

Maryland jurisdictions are already in direct competition with Northern Virginia and other states for large data center projects, and personal property taxes are often determinative. SB 427 gives counties a modern tool to calibrate those rates to attract long-lived, high-value investments while still generating new revenue that would not exist without the project.

Critically, SB 427 is a local-option authority:

- Each county or Baltimore City must adopt a law to create the subclass and set any special rate.
- Local governments retain full discretion to decide whether to use this authority at all, which projects qualify, and how to balance the rate with other fiscal needs and planning goals.

Because the bill ties “qualified data center” to the existing statutory definition in § 11-239, any data center receiving favorable treatment must meet clear thresholds for investment and job creation.

SB 427, if enacted, would take effect on June 1, 2026, and would apply to taxable years beginning after June 30, 2026. This gives counties time to evaluate their economic development strategies, consider local legislation, and coordinate with planning, environmental, and community stakeholders.

As Maryland considers broader policy questions about data center siting, energy use, and environmental standards, SB 427 offers a focused fiscal tool that can be used in conjunction with, not in place of, appropriate regulatory safeguards. It ensures that where local governments choose to host data centers under those safeguards, they are not structurally disadvantaged in the tax competition with neighboring states.

For these reasons, SB 427 is a prudent, targeted measure that:

- Leverages an existing “qualified data center” framework with clear investment and job requirements;
- Equips local governments with flexible, optional tools to attract and retain data center investment and associated employment;
- Helps Maryland jurisdictions compete on a more level playing field with high-revenue data center hubs in neighboring states;
- Preserves local control over when and how to adjust personal property tax rates.

I respectfully urge a Favorable report on SB 427.

Thank you for your consideration.

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This testimony was drafted with assistance from Perplexity AI.