

Position: Favorable

Members of the Budget and Taxation committee,

I respectfully request a favorable report on Senate Bill 457, which does not create a new tax nor mandate changes to local tax structures; it simply extends to Baltimore City and Maryland counties the same authority already granted to municipalities—the authority to set different property tax rates for land value and improvement value. That flexibility allows jurisdictions to adopt a split-rate system to tax land at a higher rate than buildings, which rewards reinvestment while discouraging land speculation and long-term underuse. This tool can help Maryland jurisdictions attract investment, strengthen local economies, and support the housing production Maryland urgently needs.

While I believe other Maryland counties will find their own uses for this tool, I am particularly enthusiastic about its potential in Baltimore. It is no secret that Baltimore has struggled with a decades-long vacancy crisis but, thanks in large part to efforts by lawmakers and the administration at both the city and state level, the tide is turning. We are grateful for Governor Moore's Reinvest Baltimore initiative that commits state resources to eliminate 5,000 more vacancies in five years. With the new taxation model enabled under SB457, we can accelerate reinvestment efforts with help from the private market and improve the state's return on its investment.

For the past several decades, Baltimoreans have been forced to pay the cost of services in vacant homes as speculators have left them to rot and collapse, endangering residents and causing public safety and health hazards. In our current, conventional property tax model, owners of boarded-up houses, empty commercial shells, or surface parking lots pay much less than their neighbors who actively occupy and improve their properties. With the passage of SB 457, Baltimore will have a tool to encourage productive land uses that activate neighborhoods and make the city safer. Shifting the tax base onto land inverts the incentive structure: holding land idle becomes costly while reinvestment is rewarded, shifting the burden off of residents and onto speculators and vacants.

Pennsylvania's experience offers the clearest evidence that split-rate taxation is a tool that provides steady progress (not silver bullet immediate changes) when applied prudently. Modeling by the Center for the Study of Economics shows that, when calibrated to be revenue-neutral, a split-rate tax typically reduces the annual tax bill of most homeowners, while shifting costs onto under-used land. In Pennsylvania, first-time buyers and long-time residents alike have realized lower monthly payments as a result (1). After Harrisburg

adopted a split-rate tax and incrementally increased the land rate to six times the building rate, the city recorded an 85 percent reduction in vacant properties and 3.5 times more businesses on the tax rolls within a generation (1). A 2021 Lincoln Institute study that examined every Pennsylvania municipality with a split-rate system found that the switch produced an immediate net gain of 60–107 business establishments—exactly the kind of diverse storefront investment needed on Baltimore’s Main Streets (2).

Granting Baltimore and Maryland counties split-rate authority aligns perfectly with the state’s explicitly articulated smart growth objectives of accelerating housing production, encouraging transit-oriented development, and encouraging infill on high-value land near existing infrastructure like transit, while mitigating the infrastructure costs that often accompany our current growth model of sprawl.

I thank Senator Rosapepe for cross-filing this bill and respectfully request a favorable report.

Thank you for your consideration.

Zac Blanchard  
Councilmember, Baltimore City Council District 11

1. [National Association of Home Builders](#) "Case Study: Pennsylvania"
2. [Lincoln Institute of Land Policy](#) "Split-Rate Taxation and Business Establishment Location: Evidence from the Pennsylvania Experience"