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Budget and Taxation Committee



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The Honorable Guy Guzzone, Chair
The Honorable Jim Rosapepe, Vice Chair
Budget and Taxation Committee
Maryland Senate
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January 21st, 2026

SB224 - Property Tax - County Authority to Set Special Rates

Chair Guzzone, Vice-Chair Rosapepe, and my esteemed colleagues:

Senate Bill 224 enables Maryland's local jurisdictions to address their unique revenue challenges and opportunities through localized decision-making. Specifically, this bill:

- permits counties and the City of Baltimore –hereafter referred to as counties– to establish a special subclass of real property consisting of commercial/industrial property;
- enables counties to set a special property tax rate for that subclass;
- requires counties to grant an exemption or credit for the residential portion of a mixed use property;
- allows counties to create a tax credit against the special rate for businesses that employ 15 or fewer people; and
- requires funds must be directed toward local education and transportation projects.

Smarter Revenue Streams through Local Empowerment and Flexibility

Recent years have seen significant cost shifts from the State to the counties in areas such as teacher pensions, special education, and State Department of Assessments and Taxation operating costs. SB 224 provides counties with the tool they need to respond to these new strains while providing a new way to identify and address imbalances within their existing revenue structure between the commercial property and residential classes.

Increasing Options for Local Jurisdictions to Deliver for their Residents – Without a Mandate

Under Senate Bill 224, jurisdictions can choose to implement a tailored differential commercial property tax rate, strengthening budgetary outlooks in ways that work for their

economies without burdening residential properties. Combined with existing county authority to set general real property tax rates, this could even enhance efforts to make Maryland more affordable.

This bill also permits counties to establish a tax credit for businesses with 15 employees or fewer. This language gives counties the flexibility to protect vital downtown destinations. Critically, this bill **does not create a mandate for local jurisdictions**. Rather, this bill helps counties ensure that our commitments to world-class education and transportation access do not come at the expense of public safety, health, and infrastructure.

Guardrails Lead to Better Outcomes

Finally, the authority granted to local jurisdictions under SB224 comes with stringent guardrails to ensure reasonable and responsible implementation. First, the special rate may only be established in a special taxing district to fund transportation projects or countywide to fund the local Board of Education.

Second, the bill requires counties establish an exemption or credit for the residential portion of mixed-use development to prevent costs from being borne by residents. The special rate must always be in addition to the general property tax rate meaning that commercial/industrial **can never be lower than the residential rate**. Additionally, SB224 requires counties to: automatically grant a credit or an exemption to the special rate for the residential portion of mixed-use development; accept applications for the credit or exemption on properties not automatically included; and notify each property subject to the special rate of the application for the credit or exemption.

Unlike municipalities' broad discretion to levy property taxes, counties will have clearly defined, limited authority to raise commercial tax rates. If a county established both a special taxing district and a countywide special rate, the bill caps that rate at 12.5¢. The bill has no effect on existing general real property tax rates. Together with the funding going to either education or transportation, this ensures accountability and aligns the use of revenues with the jurisdictions' and the state's broader policy objectives.

Senate Bill 224 is a responsive solution to county financial challenges. It empowers local governments to proactively fund education and transportation projects with guardrails to ensure accountability and alignment with state-wide priorities. I respectfully request a favorable report.

Sincerely,

Karen Lewis Young

Senator Karen Lewis Young