

SB 457 - Property Taxes - Authority of Counties to

Uploaded by: Brian Wivell

Position: FAV

Amalgamated Transit Union Local 1300

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Proudly representing the transit workers of the MTA!



SB 457 - Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land

Favorable

Senate Budget & Taxation Committee

February 18th, 2026

ATU Local 1300 represents over 3,000 transit workers at the Maryland Transit Administration (MTA). This includes bus operators, bus mechanics, rail operators, rail maintenance workers, and more. Our members keep Maryland moving every day.

Local 1300 strongly supports increasing the flexibility of local governments to find new, more equitable, ways to fund vital services like transportation. We are now convinced that land value taxation has a strong supportive relationship with transit oriented development. Reliable and frequent transit service drives up land values, but certain tax policies may fail to adequately recapture the full benefit of transit service and infrastructure investments. Land value taxes do not fall into that same trap and encourage denser building in order to maximize a developers return on land costs. SB 457 would not mandate that any jurisdiction or locality change their existing tax policy, but it would allow jurisdictions to begin to set their tax rates more precisely around the outcomes they are hoping to achieve.

We urge the committee to issue a favorable report on SB 457.

CSG MD SB 457 FAV.pdf

Uploaded by: Carrie Kisicki

Position: FAV

Testimony on SB 457: Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land
Senate Budget and Taxation Committee

Date: February 18, 2026

Position: **FAVORABLE**

The Coalition for Smarter Growth supports SB 457. CSG advocates for walkable, bikeable, inclusive, and transit-oriented communities as the most sustainable and equitable way for the Washington, DC region to grow and provide opportunities for all.

Split-rate taxes on land and improvements allow governments to properly align tax incentives with desirable outcomes, encouraging development that will deliver on the vision of local master plans, provide community benefits, and generate its fair share of the revenue needed to support public infrastructure.

Likewise, this tax structure can be used to ensure that underutilized properties generating less public revenue—such as vacant or surface parking lots—pay appropriately for the property value they reap from being served by publicly-funded infrastructure.

In this way, split-rate taxes support thriving communities and sustainable growth by incentivizing infill development and new development near amenities, jobs, and existing infrastructure.

Maryland municipalities are already enabled by state code to apply split-rate tax structures and thus to apply tax rates in service of the land use outcomes they desire. SB 457 would allow counties and Baltimore City to do the same, giving them parity with municipalities.

In Pennsylvania, communities that adopted split-rate tax policies have seen increases in [building permits, business establishments, and downtown commercial investment](#) (see Chicago Fed Letter, No. 489, November 2023). We would like to see Maryland's counties be able to reap these same benefits, should they choose.

We respectfully request a **favorable report for SB 457** by the committee.

Sincerely,



Carrie Kisicki
Maryland Housing Advocacy Manager

SB 457 HB 78 Land Value Tax testimony Feb 2026.pdf

Uploaded by: Chris Guinnup

Position: FAV

Committee: Budget and Taxation Committee

Testimony on: SB 457, Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land

Position: Favorable

Hearing Date: February 18, 2026

Passing SB 457 out of committee with a favorable report is not just a great benefit to Maryland, it is a moral duty for fairer taxation.

My home of Baltimore City is burdened by a large number of decaying lots and buildings that the property owners fail to maintain. Rewarding these property owners with cheaper property taxes, due to the decay of their property values, is a perverse incentive that encourages the degradation of the neighborhoods where we live and encourages irresponsible land speculation. Letting Maryland's largest city continue to be exploited in this way would signal implicit support for such exploitation.

SB 457 would instead let any Maryland county discourage negligent landowners by giving them the ability to put most of the property tax on the land value rather than the improvement value. This encourages owners to maintain and further improve their properties. And in cases where the property has been completely abandoned, keeping the property tax from falling over time will let the county perform a tax sale more quickly.

Thank you for your time. I hope you do what is just and issue a favorable report on SB 457.

Chris Guinnup
Baltimore City resident
4010 Roland Ave

SB 0475, Brennan Testimony.pdf

Uploaded by: Daniel Brennan

Position: FAV

February 16, 2026

Senator Guy Guzzone,
Chair, Budget and Taxation Committee
Maryland Senate

Senator Guzzone,

My name is Daniel De Varona Brennan and I wish to register to your committee my heartfelt support and encouragement for the speedy passage of SB 0457, a bill enabling Maryland counties to set separate tax rates for land and improvements to land.

I come to the issue of split-rate taxation with personal and professional experience. As Baltimore residents and homeowners of nearly three years, my wife and I have witnessed the dire conditions brought about by the city's vacancy crisis and have experienced firsthand the complexity and counterproductive incentives of our property tax system. Though I was frustrated by the injustices and harms of what I saw, my support for split-rate taxation is the consequence of considered academic research guided by my professional and academic training.

I am a historian, currently completing my PhD in History from Oxford University with the support of a Pre-Doctoral Fellowship at Johns Hopkins University. My academic focus is on modern American legislative history, with a particular interest to how legislation creates effective regulation and oversight systems. In addition to my academic work, I have been involved in various policy research effort focused on contemporary issues, to include a recent internship with the RAND Corporation. I have also published a series of opinion editorials on Baltimore housing policy in the Baltimore Sun. You can find those pieces [here](#), [here](#), and [here](#).

I am confident that your committee will receive excellent testimony on the benefits of split-rate or land value taxation (LVT). Having spent the better part of two years researching the history and theory behind LVT, I believe that its benefits for Maryland generally and Baltimore in particular would be considerable. However, since my professional expertise centers on legislation's unintended consequences and possibility for abuse, I want to devote the rest of my written testimony to addressing a consideration which may be in the back of your minds but which may be difficult to address politely: can county-level policymakers be trusted to implement split-rate taxation responsibly?

To that question my answer is a clear and simple: yes, you can. Unlike virtually any other tax authority, the power to set variable rates on land and improvements cannot be abused by short-sighted, (or corrupt), officials. A land value tax, by definition, must be applied evenly — so no tax chicanery driven by well-connected special interests such as might occur if the state granted counties the power to set variable rates for commercial or residential properties. Nor is there a risk that officials will move too hastily to implement a slopy split-rate taxation shift. Current assessments are inaccurate enough, that rushing a LVT shift overnight would likely raise taxes on homeowners and/or cost jurisdictions needed revenue. Few politicians would survive such a disastrous result. With an LVT, there is no “incentive to be wrong,” it is one of the rare policy-

Daniel De Varona Brennan, Baltimore MD, (305) 764-5789, danieldevaronabrennan@gmail.com

tools where political incentives do not cut against sound-policy imperatives. Therefore, as state lawmakers, you can be confident that split-rate authority will not be abused by local officials.

In the interest of brevity I will leave my remarks here, but I welcome any follow-on question from the Committee or its members on the history of LVT implementation or for information on the economic studies supporting its implementation.

Sincerely,

Daniel De Varona Brennan
Baltimore Resident, PhD Candidate in History

Testimony in Support of SB 457_HB 0078-combined.pdf

Uploaded by: David Bjorndalen

Position: FAV



Testimony in Support of SB 457

Property Taxes – Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land

Position: FAVORABLE

02/16/2026

Authored by: Vanessa Beck and David Bjorndalen, Co-Coordiators, Baltimore Thrive

Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to submit testimony in support of SB 457. We urge a favorable report on this important legislation.

SB 457 is fundamentally a bill about parity and local authority. Municipalities in Maryland, including Rockville and Laurel, already possess the authority to establish separate tax rates for land and improvements. This bill simply extends that same authority to Baltimore City and Maryland counties, ensuring that all local governments have equal access to a proven fiscal tool. Granting this authority does not mandate a tax change; it merely empowers local jurisdictions to make decisions that best meet their economic and housing needs.

This authority would allow cities and counties to reduce taxes on buildings and improvements while offsetting the revenue by modestly increasing the tax rate on land. By shifting the tax burden away from productive investment and onto underutilized land, local governments can encourage development, rehabilitation, and job creation without decreasing overall tax revenue.

For Baltimore City in particular, this policy offers a direct way to address chronic challenges such as vacant lots, abandoned properties, and speculative land holding. Under the current system, owners who allow land to sit vacant often pay significantly less in taxes than homeowners and businesses who invest in maintaining and improving their properties. SB 457 would help correct this imbalance by incentivizing vacant landowners to either develop their property or put it back into productive use, because their taxes would increase. Development of these vacant lots reduces blight and strengthens neighborhoods.

This approach is not theoretical. Cities in Pennsylvania, most notably Harrisburg, have successfully implemented a similar property tax policy. After adopting a lower rate on improvements and a higher tax rate on land, Harrisburg saw a significant reduction in its vacant housing stock, increased private investment, and revitalized previously distressed areas. These outcomes demonstrate that taxing improvements at a lower rate than land can promote development while stabilizing municipal finances.

SB 457 provides Maryland's local governments with a flexible, locally controlled tool to promote affordability, opportunity, and fairness. It levels the playing field between jurisdictions, rewards productive investment, discourages speculation, and supports economic growth without raising overall taxes or reducing revenues.

For these reasons, we respectfully urge the Committee to issue a favorable report on SB 457.

Thank you for your time and consideration.

The following report describes the benefits that Harrisburg achieved post-implementation of legislation similar to SB 457.

CITY OF HARRISBURG TWO-TIER TAX RATE

Harrisburg's use of the two-rate property tax approach is credited by Mayor Stephen R. Reed and other City administrators as a key initiative in promoting the revitalization of their City. The two-tier tax system encourages the highest and best use of land and rewards those who properly maintain or invest in buildings. One of the effects of the split-rate tax is to benefit the lower-income homeowner and small business owner who struggle more than any other to make ends meet to keep and maintain their homes and businesses. It also has the residual effect of keeping rents lower than they would otherwise be for persons in lower income homes and apartments. It rewards productivity and investment, in contrast to the single tax rate system which penalizes both.

Following are some of the positive effects of the two-tier tax rate experienced in the City of Harrisburg, as mentioned in Mayor Stephen R. Reed's 2005 State of the City Address, which was delivered on Friday, April 8, 2005, at the Harrisburg Hilton Hotel before the Harrisburg Region Chamber of Commerce.

- Once considered the second most distressed cities in the nation, Harrisburg, since 1982, has sustained economic resurgence that has garnered national acclaim. Harrisburg has twice won the top United States community honor as "All-American City" along with the top state recognition from the state Chamber of Business and Industry as Outstanding Community in Pennsylvania.
- In 2004 the City issued 1,865 building permits. The total amount of new investment represented by these permits is \$407.5 million -- the largest amount ever recorded in any year in City history.
- In the current era, Harrisburg has recorded a total of 32,294 building permits representing over \$3.86 billion in new investment. There are few cities of our size in America with a similar record.
- As of April 1, 2005, the number of businesses on the City's taxrolls had risen to 8,864. This is in sharp contrast to the number which existed not so long ago -- 1,908.
- The Market Square Plaza will be completed by this summer. At 246 feet in height and 311,000 square feet in space, it is a major addition to the City skyline.
- At the Penn Center, adaptively reusing much of the space at the former Polyclinic Hospital in Uptown, the majority of its initial 290,000 square feet of space is now leased and the remainder offers an office campus setting to additional tenants.
- The plans for the first-ever Pennsylvania Judicial Center are advancing. The twelve-story, 300,000 square foot complex will include two nearby new parking facilities. A

new Federal Courthouse is planned for the future, involving 263,000 square feet. With these additions, Harrisburg becomes a recognized center of law and justice

- **Advanced Communications Company, as it seeks to expand, has selected a former Brownfields site at Cameron and Herr Streets. The \$27 million project, involving all new construction, will be home to up to 200 employees at this printing and production facility.**
- **International House, which hosts college students and interns, has begun its \$7.6 million expansion that will add 34 more residential units, a culinary school, a bakery and meat and cheese shop, and a 125 seat indoor and outdoor restaurant to be, in part, operated by college students under the management of the Hilton. It adds to the growth of higher education and retail here.**
- **Belco Community Credit Union is consolidating their multiple locations into one headquarters, with work already underway. When completed, it means more city-based jobs and a further enhancement to this City being a regional center for finance.**
- **Fourteen new restaurants have opened in the last twelve months, with at least four more, some of them multi-floor complexes, to come.**
- **In the City's Uptown, two new hotels will be built. On the Farm Show property, a 140 room suite-styled facility coupled with meeting space, with Crossgates as the developer, will occur. On Maclay Street, across from the Farm Show, a new Comfort Inn with 92 rooms and meeting space will complement.**
- **Harrisburg Hilton Hotel expanded its ballroom space into the entire second floor of the Market Square Plaza. The demand for meeting space has exceeded capacity in recent years. This became the genesis for initiatives to expand and will give the City the added benefit of being able to attract even larger events and conventions.**
- **Advances in the hospitality industry are further shown by the creation of the Milestone Inn, occupying one of the historic Front Street mansions and becoming an upscale bed and breakfast with reception and meeting areas.**
- **Pinnacle Health System, already one of the largest employers in both the region and the City, is adding a splendid new structure to house the Clinical and Technological Innovation Center. 215 permanent jobs will be based there and its foundation will allow for the addition of eight more floors in the future.**
- **In the current era, Harrisburg's residential programs have seen to the rehabilitation or new construction of over 5,000 units. That is about to advance to a greater level. A total of 1,752 restored or newly built housing units will be the result, representing new neighborhood investment in excess of \$143,000,000. The sites are Citywide and involve work in the Maclay Street neighborhood, Capitol Heights, Barkley Court, Summit Terrace, Central and South Allison Hill, Midtown, Uptown and South Harrisburg.**

- **Life Sciences Greenhouse is moving into the City. A new office and apartment center will soon be built on North 18th Street. A commercial building on Agate Street is in the final approval state. A neighborhood grocery store has started on Vernon Street. New retail has been spawned uptown and on Allison Hill.**
- **Newly opened bookstores in the Midtown have made the City one of the largest new and rare book centers in the Mid-Atlantic.**
- **The Mt. Pleasant Plaza in Allison Hill, the largest neighborhood retail center built in three decades, has completed its first year of successful operation.**
- **Two additional initiatives on which work is progressing include the prospective issuance of neighborhood improvement bonds to cover costs of comprehensive façade improvements on a broad, block by block, property by property basis, along with new sewer lines, public space upgrades and street repaving.**
- **The restoration of the Market Street Bridge Plazas and entranceways, along with placement of antique-styled streetlights, was completed last fall. Federal earmark monies have been preliminarily approved for similar work on the Mulberry and State Street Bridges.**

Other positive effects related to the two-tier tax rate include:

- **In 1982 the total assessed value of taxable real estate in Harrisburg was \$212 million. In January 2005, it was over \$1.6 billion, which is reflective of the additions to the taxrolls from new investment.**
- **The City's resident workforce has grown in the past twenty-one years and, in addition to a 19% reduction in unemployment, there are approximately 2,100 more City residents now employed full-time both within and outside the City.**
- **The crime rate, during the current era, has dropped 58%, bringing it to the lowest level in over three decades.**
- **The Harrisburg fire rate has dropped 76.3%, the lowest since Citywide records were established nearly a half century ago.**
- **Harrisburg operates the largest municipal park system in Central Pennsylvania. Two years ago, 747 park permits were issued for special events in our park space. Last year it was 1,400 -- an increase of 93%. The Citywide recreation program registered over 460,000 attendants in 2004. Special events conducted by or co-sponsored by the City exceeded 2.3 million visitors.**
- **Commerce Bank Park had a new state-of-the-art sports field dedicated on April 7, 2005. A major expansion and upgrade will occur over the next twelve months to produce a**

complex with skyboxes, club level, restaurant, food and beverage additions, additional seating, grand new entranceway, retail space and other improvements.

- **City Island is now home to three professional level sports involving baseball, outdoor soccer and football.**
- **Today, over 3.5 million visitors are recorded at events and activities here. The City has commissioned a landmark long-range tourism strategic plan. Its scope covers all aspects of the tourism market, with special focus on heritage tourists. In the past six years, the makings of a critical mass of attractions to visitors have occurred. The Pennsylvania National Fire Museum, The Whitaker Center for Science and the Arts, the Danzante Cultural Center, The National Civil War Museum, The Susquehanna Art Museum, The Olewine Nature Center, the upgrades at the State Museum -- combined with expanded special events, festivals, park upgrades, placement of historic site signage, and the addition of directional signs, all have taken Harrisburg to a new level.**
- **The Harrisburg Police Bureau has retained National Law Enforcement Accreditation, the highest designation in public safety, since 1989. Of over 21,000 agencies nationwide, only 550 have attained the same status. The Bureau also holds Pennsylvania Law Enforcement Certification.**
- **Harrisburg is one of only two communities in the state to receive three upgrades from the Federal Emergency Management Agency's Flood Insurance Administration in its flood insurance rating, producing an overall 15% reduction in base flood insurance premiums for all city-based property owners.**
- **Harrisburg has been designated as a "Tree City USA" by the National Arbor Day Foundation for the eighteenth consecutive year. This is the highest community conservation award in the country.**
- **Harrisburg received the "Distinguished Budget Presentation Award" from the Government Finance Officers' Association of the United States and Canada for the fourteenth consecutive year, and was awarded the "Certificate of Achievement for Excellence in Financial Reporting" by the Government Finance Officers' Association of the United States and Canada for the seventeenth consecutive year. These are the two highest financial awards in the nation. Of 2,566 municipalities in Pennsylvania, only three others did the same.**
- **Money Magazine, in its June 2004 edition, listed Harrisburg amongst the top three "up and coming cities" in the nation in our population category.**
- **Harrisburg owns and operates the Resource Recovery Facility, the region's only alternative to landfills. The retrofit and expansion of the Facility, where solid waste would be incinerated and steam and electricity generated, is well underway, with expected completion and start-up by this year's end.**

- **Harrisburg finances and operates the Advanced Wastewater Treatment Plant which serves seven local municipalities, and the Harrisburg Water System, which serves five local municipalities.**
- **Harrisburg has the only paid fire department in Dauphin County, and is on-call for emergencies outside the City, too.**
- **The Harrisburg University of Science and Technology has been established. Its first classes begin this September. For the inaugural number of seats, six times as many applicants have been received.**
- **The new Urban Studio Project allows architectural and planning students to apply their classroom learning to the renovation of blighted buildings or new construction on empty lots. The Urban Studio Program brings the idealism and talents and energy of college students from Penn State University and Harrisburg Community College into inter-action with urban renewal at the neighborhood level.**

These results are especially noteworthy when one considers the fact that 47% of the land in Harrisburg cannot be taxed because it is state, county, or non-profit real estate.

Administrative costs to implement the two-tiered tax system were minimal. The only expenses the City of Harrisburg incurred were those involved in programming/software changes to our billing system to allow the two rates to be separated. The programming changeover took approximately one week.

The appearance of the bills and an explanation of the change to a two-tiered tax system were the only administrative changes that took place.

The current ratio of land to buildings is 6:1. The two-tiered tax system was implemented by City ordinance, a copy of which is attached.

CITY OF HARRISBURG PA'S TWO-TIERED PROPERTY TAX SYSTEM RESPONSE TO FREQUENTLY ASKED QUESTIONS

1. The current fiscal conditions of the City of Harrisburg are described in the attachment entitled **NATIONAL LEAGUE OF CITIES 2004 FISCAL CONDITIONS SURVEY**.
2. The major issue for City finances is the fact that forty-seven percent (47%) of all real estate in the City is tax-exempt.
3. 23% of the City's 2005 General Fund Budget is funded from property taxes.
4. The property tax process is described in the attachment entitled **GENERAL FUND REVENUE** (page 43).
5. All land, improvements to land, and buildings, whether residential, commercial, industrial or otherwise, are subject to the property tax, unless the property is determined by the County to be tax-exempt.
6. Governmental entities (Federal, State and County), hospitals and non-profits are exempt from the City's real estate tax.
7. The basis and rate of the tax is a 6:1 ratio, with land taxed at 6 times the tax rate on buildings and improvements.
8. The tax rate calculation is described in the attachment entitled **MILLAGE RATE CALCULATION**.
9. The nominal and effective tax rates in neighboring major municipalities are described in the attachment entitled **TAX RATE COMPARISON**.
10. The City has a tax-abatement program for both residential and commercial properties which is used for property tax relief and reduction.
11. The City administers the property tax for itself, and the School District. The Department of Administration calculates the tax, prepares and mails billings. The City Treasurer's Office collects the property tax revenue.
12. The City uses the two-tiered or "split-rate" tax structure as both an incentive to build upward, as well as a disincentive for land speculators.
13. Although the two-tiered tax system does not specifically help individuals who have vacant properties which they are struggling to fill, their taxes are less than they would be under a single rate system.
14. Owners of vacant lots and land speculators are the major detractors of the two-tiered tax system.
15. While the City's ownership of vacant land increased somewhat under the two-tiered tax system, the land was used to spur housing development, which program has been very successful.
16. The City's property tax is used as a land-use policy.

**CITY OF HARRISBURG PA'S TWO-TIERED PROPERTY TAX SYSTEM
RESPONSE TO FREQUENTLY ASKED QUESTIONS
PAGE 2**

17. Tax increment financing is used in the City of Harrisburg.
18. Our current property tax system encourages the best and most effective use of land, and stimulates expansion and improvements to existing property.
19. Property tax reform is being considered at the State level.

CITY OF HARRISBURG MILLAGE RATE CALCULATION

The millage rates are set at 6:1.

Land is taxed at 6 times the rate of tax on buildings and improvements.

| | | | |
|---|-------------------------|--|---|
| | \$ 357,997,500 | | Taxable Assessed Value For Land |
| x | <u>6</u> | | Tax Factor For Land |
| | \$ 2,147,985,000 | | Total Taxable Assessed Value For Land |
| + | <u>\$ 1,254,150,100</u> | | Taxable Assessed Value For Buildings and Improvements |
| = | \$ 3,402,135,000 | | Total Taxable Assessed Value For Property |

| | | | |
|---|-------------------------|--|---|
| | \$ 13,843,288 | | Total Amount Of 2005 Tax Billing [FLAT] |
| / | <u>\$ 3,402,135,000</u> | | Total Taxable Assessed Value For Property |
| = | .0040690 | | Millage Rate For Buildings and Improvements |
| x | <u>6</u> | | Tax Factor For Land |
| = | .0244140 | | Millage Rate For Land |

| | | | |
|---|-----------------|--|---------------------------------|
| | \$ 357,997,500 | | Taxable Assessed Value For Land |
| x | <u>.0244140</u> | | Millage Rate For Land |
| = | \$ 8,740,150.96 | | Tax Revenue For Land |

| | | | |
|---|-----------------|--|---|
| | \$1,254,150,100 | | Taxable Assessed Value For Buildings and Improvements |
| x | <u>.0040690</u> | | Millage Rate For Buildings and Improvements |
| = | \$ 5,103,136.76 | | Tax Revenue For Buildings and Improvements |

| | | | |
|---|------------------------|--|--|
| | \$ 8,740,150.96 | | Tax Revenue For Land |
| + | <u>\$ 5,103,136.76</u> | | Tax Revenue For Buildings and Improvements |
| = | \$13,843,287.72 | | Total Amount Of 2005 Tax Billing [FLAT] |

Effective Single Equivalent Millage Rate = 8.522

FILE OF THE CITY COUNCIL

No. 28

SESSION OF
1975

MOVED BY ALBERT S. SCHMIDT, JR., DECEMBER 31, 1974

An ordinance levying and providing for the assessment and collection of City Taxes for the fiscal year 1975; granting certain discounts and repealing all ordinances or parts of ordinances in conflict herewith.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF HARRISBURG AND IT IS HEREBY ORDAINED BY AUTHORITY OF THE SAME:

Section 1. There is hereby levied and assessed against all land within the City of Harrisburg, which is taxable for City purposes, exclusive of the buildings and site improvements located thereon, if any, and upon all persons owning said land, a tax at the rate of twenty-three mills (.023) per dollar for the fiscal year 1975. For purposes of computing said tax, the valuation of said land as taken from the books and records of the Dauphin County Assessor of Taxes shall be used. Said tax amounts to two dollars and thirty cents (\$2.30) on each \$100.00 of assessed value.

Section 2. There is hereby levied and assessed against all buildings and site improvements whether residential, commercial, or otherwise, within the City of Harrisburg, which are taxable for City purposes, exclusive of the land on which said buildings and site improvements are located, and upon all persons owning said buildings and site improvements, a tax at the rate of seventeen mills (.017) per dollar for fiscal year 1975. For purposes of computing said tax, the valuation of said buildings and site improvements as taken from the books and records of the Dauphin County Assessor of Taxes shall be used. Said tax amounts to one dollar and seventy cents (\$1.70) on each \$100.00 of assessed value.

Section 3. The taxes levied and assessed pursuant to the provisions of Sections 1 and 2 of this ordinance shall be distributed as follows: (Based on 18.25 mills equivalency)

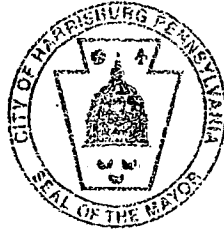
- A. For general revenue, sixteen mills (.016 or one dollar and sixty cents (\$1.60) on each \$100.00 of assessed value.
- B. For payment of interest on bonded indebtedness, six-tenths of one mill (.0006) or six cents (\$.06) on each \$100.00 of assessed value.
- C. For the payment of the Sinking Fund, One and ning-tenths mills (.0019) or nineteen cents (\$.19) on each \$100.00 of assessed value.

Section 4. That the City Treasurer be and he is hereby authorized and empowered to abate two per centum upon the City tax of every person whose name appears upon the City duplicate for the fiscal year 1975, upon the payment within two months after the date of the tax notice of the taxes due from each person or persons. All taxpayers who shall fail to make payment of any such taxes charged against them for four months after the date of the tax notice shall be charged against them for four months after the date of the tax notice shall be charged a penalty of five per centum which penalty shall be added to the taxes by the City Treasurer and be collected by him..

Section 5. That all ordinances or parts of ordinances in conflict herewith be and the same are hereby repealed.

Seconded by Horatio F. Leftwich

Passed by the City Council on January 14, 1975, and signed by the Mayor on the 15th day of January, A.D., 1975.



Office of the Mayor
The City of Harrisburg
City Government Center
10 North Second St
Harrisburg, PA 17101-1678

Stephen R. Reed
Mayor

(717) 255-3040

May 1, 2003

Honorable Jonathan A. Sidel
The City Controller
City of Philadelphia
12th Floor, Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679

Dear Mr. Sidel:

This is to acknowledge and thank you for your inquiry of the other day regarding the split rate tax millage system in place in the City of Harrisburg. I regret being unable to respond in time for the April 29th hearing and hope that this correspondence will serve to add to the record on the matter as the City of Philadelphia considers the prospect of a land-value tax policy.

The City of Harrisburg is like every other Pennsylvania city, confined within boundaries that cannot change. Unlike cities in the South and the West, cities in this State do not have the ability to incorporate additional areas.

Accordingly, promoting the highest and best use of land is critically important to the long-term economic development progress of this City. We have had the land-value tax policy in place for years and have found it to be an important incentive.

Presently, we have a ratio of 1 to 6 in place, meaning that the millage rate on improvements/buildings is a tax rate only one-sixth of the millage rate charged on land.

Such a policy rewards the productive use of land. The greater the investment, the greater the savings to the owner/developer over a single tax rate system. In other words, it is a reward for initiative and private investment risk.

Honorable Jonathan A. Saidel
May 1, 2003
Page Two

Moreover, a higher millage rate on land tends to discourage real estate speculation by irresponsible absentee owners - - - a genuine problem in probably every city in Pennsylvania.

The City of Harrisburg was listed as the second most distressed city in the nation twenty years ago. It had sustained precipitous decline over nearly three decades - - - a decline far greater in proportion than what has ever been experienced by any urban community in this state or, for that matter, every other state with the exception of one.

Harrisburg, in the current era, launched aggressive initiatives related to economic development, the creation of non-tax revenue sources and a constant effort to refine and improve the operations of city government. These remain our triple, equally important priorities. As part of our economic development incentives, the land-value tax policy is key and, without it, a significant amount of new investment would not have occurred here during recent years.

In the current era, we have registered in excess of \$3.1 billion in new investment. The number of businesses on the City's taxrolls has increased from 1,908 to more than 5,900. Taxable real estate values have increased from an aggregate of \$212 million to over \$1.6 billion. The number of vacant properties has been cut by 85%. The crime rate has been reduced 54% and the fire rate has dropped over 76%. Unemployment, which generally ran in the double digits, even in times of a good national economy, are normally less than half those previous rates today.

The land-value tax policy is not a cure-all but, without it, it would be particularly more difficult to attract and retain taxable real estate investment. Economic development in an urban community should not be based solely upon a land-value tax policy. Rather, the tax policy should be part of a package of other incentives, which include various low-interest loans, the availability of low-cost vacant land, tax abatement and the like.

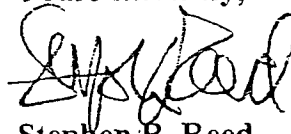
Without hesitation we can commend the importance and benefit of the land-value tax policy. It has worked in Harrisburg and in other communities where it has existed.

Honorable Jonathan A. Sidel
May 1, 2003
Page Three

I hope the aforementioned information is of some use to you as you and the City of Philadelphia consider your long-range economic development policies. Please know that you and all of the officials and citizens of the City of Philadelphia have our full support in this important work.

With warmest personal regards, I am

Yours sincerely,

A handwritten signature in black ink, appearing to read "S. Reed", written in a cursive style.

Stephen R. Reed
Mayor

SRR/et



OFFICE OF THE MAYOR
REVEREND DR. MARTIN LUTHER KING, JR.
CITY GOVERNMENT CENTER
HARRISBURG, PENNSYLVANIA 17101-1678

STEPHEN R. REED
MAYOR

October 5, 1994

Mr. Patrick J. Toomey
Chairman, Research Committee
City of Allentown Government Study Commission
Allentown, PA 18101

Dear Mr. Toomey,

This is to acknowledge and thank you for your correspondence which inquired about the City of Harrisburg's view and experience in utilizing the two-tiered tax rate system.

The City of Harrisburg continues in the view that such a land value taxation system, which places a much higher tax on land than on improvements, is an important incentive for the highest and best use of land in already developed communities, such as cities.

Such a two-tiered tax rate system would not be appropriate in largely rural townships and boroughs, where there would be vast expanses of farmland and other undeveloped space. Instead, such a tax rate policy should be in place in communities that are largely already developed and where land is sold at a premium.

In Harrisburg's case, where large tracts of vacant land do not exist, we wish to induce the highest level of economic investment that can be achieved in our central business district, for example, our two-tiered tax rate policy has specifically encouraged vertical development, meaning highrise construction, as opposed to lowrise or horizontal development that seems to permeate suburban communities and which utilizes much more land than is necessary.

Of course, vertical or highrise development is usually more expensive to construct, which is precisely why the two-tiered tax rate system is an appropriate local government policy.

Moreover, the same two-rate system tends to discourage real estate speculators and others who would be inclined under normal conditions to tie up land and tracts that could otherwise be used for development purposes.

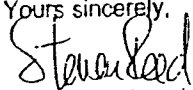
With over 90% of the property owners in the City of Harrisburg, the two-tiered tax rate system actually saves money over what would otherwise be a single rate system that is currently in use in nearly all municipalities in Pennsylvania.

We therefore continue to regard the two-tiered tax rate system as an important ingredient in our overall economic development activities. No single policy, including this one, is a panacea or sole cause for major new investment. As is the case with economic development in any urban community, a variety of factors come into play. We have no hesitation, however, in recommending your serious and favorable consideration to such a two-tier real estate tax rate policy for the City of Allentown, based on our positive experience with the same.

I should note that the City of Harrisburg was considered the second most distressed in the United States twelve years ago, under the Federal distress criteria. Since then, over \$1.2 billion in new investment has occurred here, reversing nearly three decades of very serious previous decline. None of this happened by accident and a variety of economic development initiatives and policies were created and utilized. The two-rate tax system has been and continues to be one of the key local tax policies that has been factored into this initial economic success here.

I wish you and your colleagues on the Government Study Commission success as you pursue your important work for the future of your City.

Yours sincerely,


Stephen R. Reed, Mayor

The Hartford Courant.



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Sunday
12-7-03

EDITORIALS

Harrisburg's Tax Fix

Hartford and Harrisburg, Pa., have several common features. They are state capitals. Each is located on a river and is geographically small. Each has a high poverty rate and has experienced the flight of residents to the suburbs.

Two decades ago, the federal government listed Harrisburg as the nation's second most distressed city, after East St. Louis, Ill. But Harrisburg has since witnessed a remarkable economic turnaround that may offer a lesson for Hartford.

Harrisburg adopted the so-called two-tier property tax system under which it taxes land at six times the rate of buildings. The present tax rate is about \$24 per \$1,000 of assessed value for land and \$4 for buildings. The differential discourages speculation and encourages property owners to build or to restore existing structures. Owners know that taxes on improvements will be much less than what they would pay under a traditional single-rate system, such as Hartford's, where the same tax rate applies to land and buildings.

The results in Harrisburg have been astonishing. Since 1982, about \$3.5 billion has been invested in residential and commercial projects. This year alone, the city has issued building permits for more than \$300 million worth of construction, a record.

In two decades, the number of taxable businesses has tripled to nearly 6,000. Twelve new restaurants have opened in 2003 or announced plans to open. An 18-story office tower is under construction downtown. The number of vacant structures has shrunk by 85 percent.

Harrisburg Mayor Stephen R. Reed, who was first elected in 1982 and is now the longest-serving mayor in Pennsylvania, credits the split-rate property tax as a significant driver in the city's turnaround. He cautions, however, that the split-rate system must be combined with other incentives to have maximum effect. For example, the city also adopted a tax abatement program under which all residential and commercial construction qualifies for a gradual, 10-year phase-in of the reduced property taxes.

Mr. Reed is a strong believer in the old-fashioned idea that new investment creates jobs

and benefits the whole community.

The split-rate concept has been around for at least a century, but so far it has been adopted mainly in Pennsylvania, where about 20 municipalities use it.

Recently, the Philadelphia Tax Reform Commission recommended that the City of Brotherly Love phase in the system, saying it would spur private investment, reduce blight and encourage "property owners to maximize the revenue generating potential of their land."

Under this smart land-use policy, most homeowners, except those who live in expensive homes on oversized lots, pay lower property taxes than they paid under a one-rate system.

Before any Connecticut city can tax land and buildings at different rates, the state must authorize it. The legislature's Planning and Development Committee recommended such a system several months ago, but the House and Senate failed to act on the measure. Seventeen municipalities, including Hartford, New Haven, East Hartford and New Britain, would have been permitted to adopt a split-rate system.

Several lawmakers have promised to bring up issues related to smart growth and property tax reform, including split-rate taxation, when the legislature convenes in February. Between now and January, the General Assembly's Planning and Development Committee is holding hearings on these issues. For a list of hearing times, dates and places, please go to www.Ctnow.com/opinion.

Hartford has seen a surge of interest in development in recent months, with several major projects under construction or in the planning stages downtown.

Split-rate property taxes could add to the momentum by penalizing speculators who are holding onto vacant lots and empty buildings on which they are now paying minimal taxes. Hartford has scores of vacant buildings that could become attractive commercial or residential ventures if developers knew that the tax rate on new or renovated structures would be only a fraction of the rate on the underlying land.

Harrisburg's example ought to inspire Connecticut lawmakers to permit cities in this state to experiment with different tax rates for buildings and the land on which they stand.

**City of Harrisburg
Two-Tier Tax History**

| Year | Land | Buildings | Ratio |
|-------------|-------------|------------------|--------------|
| 1975 | 0.023000 | 0.017000 | 1.4:1 |
| 1976 | " | " | |
| 1977 | 0.029000 | 0.016000 | 1.8:1 |
| 1978 | " | " | |
| 1979 | " | " | |
| 1980 | 0.055000 | 0.018330 | 3:1 |
| 1981 | " | " | |
| 1982 | 0.058250 | 0.021880 | 2.7:1 |
| 1983 | " | " | |
| 1984 | 0.058250 | 0.020380 | 2.9:1 |
| 1985 | " | " | |
| 1986 | 0.017180 | 0.006010 | 2.9:1 |
| 1987 | 0.018180 | 0.007010 | 2.6:1 |
| 1988 | 0.032250 | 0.010750 | 3:1 |
| 1989 | " | " | |
| 1990 | " | " | |
| 1991 | " | " | |
| 1992 | " | " | |
| 1993 | " | " | |
| 1994 | " | " | |
| 1995 | 0.032250 | 0.010750 | 3:1 |
| 1996 | " | " | |
| 1997 | " | " | |
| 1998 | " | " | |
| 1999 | 0.038360 | 0.009590 | 4:1 |
| 2000 | " | " | |
| 2001 | 0.048090 | 0.009618 | 5:1 |
| 2002 | 0.024414 | 0.004069 | 6:1 |
| 2003 | " | " | |
| 2004 | " | " | |
| 2005 | " | " | |

GENERAL FUND REVENUE

Total 2005 General Fund resources are budgeted at \$60,228,769, which represents an increase of \$2,802,735, or 4.9%, from 2004 projected resources of \$57,426,034.

LAND AND PROPERTY TAXES

Land and property taxes, or real estate taxes, will represent 23.2% of the General Fund revenue base in 2005. The 2005 real estate tax receipts are estimated to be \$13,858,000, a decrease of \$1,849,100, or 11.8%, from the previous years' projected figure. This decrease is the result of the sale of delinquent real estate tax liens to the Harrisburg Redevelopment Authority in 2004 that resulted in approximately \$1.7 million in revenue. This will not occur again in 2005. This decrease also takes into account continued downward reassessment of property values by Dauphin County's Assessment Appeal Board.

Approximately 18,700 property tax notices are mailed in January of each year. Of the bills mailed in January, 89% are paid within one year and 98% are paid within three years, on the average. During 2003, 83.6% of the adjusted levy on current-year taxes was received, representing an increase in the collection rate of the current-year taxes from 2002 to 2003.

The Dauphin County Board of Assessments performs property tax assessments. The City levies the tax on 100% of the value assigned by the County. The tax within the City is levied as two rates (termed "Two-Rate Property Tax"): 24.414 mills on assessed value of land and 4.069 mills on the assessed value of all buildings and improvements to the land, whether residential, commercial or otherwise. The combined effective millage rate for 2005 is approximately 8.5 mills.

Taxpayers who pay within two months of receipt of their bills receive a 2% discount. The face value of the bill is due between two to four months from the date of the bill. If the bill is not paid after four months, the taxpayer has until December 31 of the billing year to pay the tax due plus a 10% penalty. If still unpaid after December 31 of the billing year, the delinquent accounts are turned over to the Dauphin County Tax Claims Bureau, which imposes additional penalties. If the delinquent accounts are not subsequently sold to a third party, as permitted by the recent amendments to the Pennsylvania Real Estate Tax Sale Law, and if these delinquent taxes remain unpaid by September of the second year following the billing year, the properties are offered for public tax sale. The amount of back taxes and penalties and delinquent utility charges determine the price of each property. About 50 to 60 city sales. If the properties are not sold at this point, the County Tax Claim Bureau offers the properties for judicial sale starting at \$200 each with all delinquent taxes and penalties and utility charges forgiven. Finally, should the property still be unsold, a repository sale is held whereby the properties are offered for sale for \$200 to the first bidder with no delinquent taxes and penalties or utility charges being assessed.

In an effort to lessen the tax burden on property owners of the City caused by the lump-sum collection of taxes, City Council ordained in December 1988 that, effective January 1, 1989, "Current city taxes may hereinafter be paid in not more than four (4) installments...due on or before January 31...March 31...May 31...and July 31; of the tax year, respectively. No discount period is allowed, and for any installment which is delinquent, a 10% penalty is added".

All land and property taxes are billed and collected by the City Treasurer's Office. The total 2005 Budget for the City Treasurer's Office is \$676,343. Eleven people staff the office. One-third of the office's expenses are reimbursed by the Harrisburg City School District because this office bills and collects school property taxes as well.

REAL ESTATE TRANSFER TAXES

The Real Estate Transfer Tax, also referred to as a deed transfer tax, is levied at the maximum rate of 1% on the transfer price of real property within the City. If both the municipality and the school district levy the tax, they must share the 1% maximum equally. Such is the case in Harrisburg. The 2005 real estate transfer taxes are estimated to be \$600,000, a \$150,000, or 20.0%, decrease from the 2004 projected amount as property sales are expected to decline.

SUMMARY OF REVENUES

GENERAL FUND

General Fund revenue is expected to increase \$3,889,231, or 6.9%, over the 2004 Budget. Real Estate Tax revenues, totaling \$13,858,000, are anticipated to increase \$910,000 or 7.0%, in 2005. This increase is primarily the result of higher current year collections and receipt of approximately \$355,000 from the sale of delinquent tax liens to the Harrisburg Redevelopment Authority. Transfer Taxes are anticipated to increase \$175,000, or 41.2%, in 2005, as the market continues to be attractive for the buying and selling of real property. Emergency and Municipal Services Taxes, a new tax enacted by the PA legislature effective January 1, 2005, replacing Occupational Privilege Taxes, are anticipated to generate \$2,612,400 in new revenue. Earned Income Taxes are expected to decrease \$200,000, or 6.0%, from 2004. Mercantile/Business Privilege Taxes are anticipated to decrease \$195,186, or 4.9%, in 2005. In 2004, the City consolidated the renewal of all Business Licensing to one bill and due date. This will not occur again in 2005. Departmental Revenues are anticipated to increase \$894,030, or 4.7%, primarily due to higher administrative service charge receipts from the Water and Sewer Utility Funds as well as Grant Funds. Fines and Forfeits are expected to increase \$58,319, or 2.7%, over the 2004 Budget due to an anticipated increase in parking and traffic ticket revenue. Business Licenses and Permits will increase \$19,000, or 4.3%, in 2005. Interest Income is expected to be \$11,050, or 21.5%, higher in 2005, primarily due to an anticipated increase in investment rates. Property Income is anticipated to be \$515,533 lower in 2005. In 2004, the City sold two parking lots. This will not occur again in 2005. Miscellaneous Revenue is expected to be \$39,054, or 1.4%, lower in 2005. Other Financing Sources are anticipated to decrease \$200,000, over 2004. In 2004, revenue was received as proceeds from a SWAP on interest rates of existing debt. This will not occur again in 2004. Intergovernmental Revenue is expected to increase \$1,209,505, or 15.4%, primarily due to projected increases in receipts from the Harrisburg Parking Authority (HPA) pursuant to the Coordinated Parking Fund Agreement between the City and HPA, as well as from Capital Fire Protection. These increases will be partially offset by anticipated decreases in receipts for Pension System State Aid. Interfund Transfers are budgeted to be \$348,145, or 36.1%, higher in 2005 primarily because of an increased Interfund Transfer from the Sanitation Utility Fund. There is no Fund Balance appropriation for 2005.

SPECIAL REVENUE FUNDS

The State Liquid Fuels Tax Fund will increase by \$21,960, or 2.6%, in 2005. This is the result of an increase in the appropriation of Undesignated Fund Balance. This increase will be partially offset by a decrease in Interest Earnings due to less cash being on hand for investment. The Community Development Block Grant will decrease \$47,624, or 1.3%, due to a decrease in federal funding.

DEBT SERVICE FUND

The Debt Service Fund, which primarily receives transfers from the General, Capital Projects, and State Liquid Fuels Tax Funds for payment on outstanding debt, will decrease \$21,479, or .2%, over the 2004 Budget. This is the net result of a decrease in transfers of \$300,000 and \$19,969 from the Capital Projects and State Liquid Fuels Tax Funds, respectively. In addition, \$500,000 was budgeted in 2004 as proceeds from a pension SWAP option extension. This is not expected to occur again in 2005. These decreases will be offset by an \$832,433 increase in transfers from the General Fund.

WATER UTILITY FUND

Water Utility Fund revenues are anticipated to be \$2,368,583, or 15.5%, higher than the 2004 Budget. The increase is primarily the result of an increase in the rate stabilization subsidy from The Harrisburg Authority. This increase is offset by a decrease in Metered Water Sales which is caused by decreased levels of consumption.

SANITATION UTILITY FUND

Revenues for the Sanitation Utility Fund are expected to be \$191,419, or 4.8%, higher in 2005. This is primarily the result of an increase in Sanitation Liens and Garbage/Refuse Collection revenues.

LANDFILL/INCINERATOR UTILITY FUND

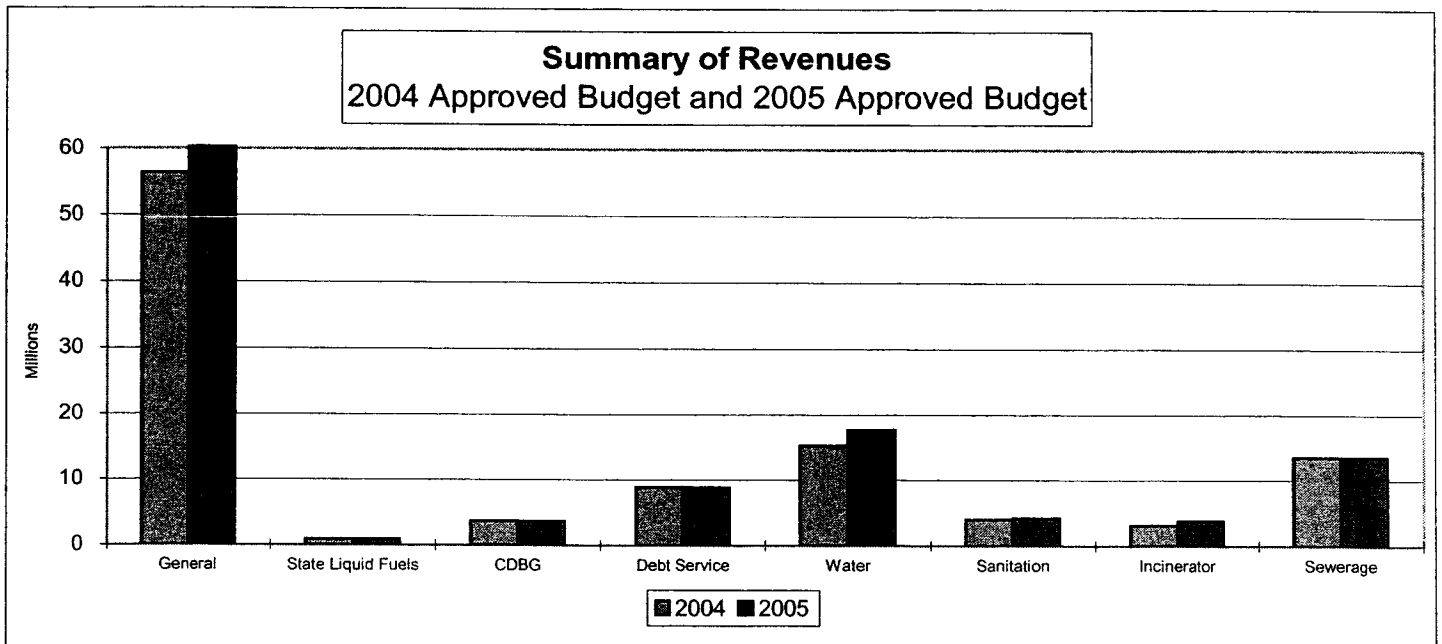
The Landfill/Incinerator Utility Fund revenues are anticipated to be \$677,724, or 21.7%, higher in 2005. With the closing of the facility on June 18, 2003 for a modernization project, revenues for the facility will come from disposal charges and fees. In October 2005, the facility plans to begin burning trash for testing and certification of the plant, all of which is a requirement for the plant to open and be fully operational in 2006. An amount up to \$3 million will be drawn from the working capital account held by The Harrisburg Authority to subsidize the operations of the Landfill/Incinerator Utility Fund during 2005 for the modernization project.

SEWERAGE UTILITY FUND

The Sewerage Utility Fund revenues are expected to be \$5,321, or .4%, lower in 2005. This is primarily due to a decrease in Conveyance/Treatment, Collections, and Sales to Public Authorities revenues caused by lower water consumption. This decrease in revenues requires a 12.5% sewer rate increase to help cover operating costs and depreciation expense at the plant.

**SUMMARY OF REVENUES
2005 BUDGET**

| FUND | 2004 APPROVED BUDGET | 2005 APPROVED BUDGET | INCREASE/ (DECREASE) | CHANGE |
|--|----------------------------|----------------------------|-------------------------|---------------------|
| GENERAL FUND | | | | |
| Real Estate Taxes | 12,948,000 | 13,858,000 | 910,000 | 7.03% |
| Transfer Taxes | 425,000 | 600,000 | 175,000 | 41.18% |
| Occupational Privilege Taxes | 333,150 | 0 | (333,150) | -100.00% |
| Emergency and Municipal Services Taxes | 0 | 2,946,075 | 2,946,075 | 100.00% |
| Earned Income Taxes | 3,325,000 | 3,125,000 | (200,000) | -6.02% |
| Mercantile/Business Privilege Taxes | 3,948,613 | 3,753,427 | (195,186) | -4.94% |
| Departmental Revenues | 19,134,752 | 20,028,782 | 894,030 | 4.67% |
| Fines and Forfeits | 2,200,381 | 2,258,700 | 58,319 | 2.65% |
| Business Licenses and Permits | 441,000 | 460,000 | 19,000 | 4.31% |
| Interest Income | 51,410 | 62,460 | 11,050 | 21.49% |
| Property Income | 567,533 | 52,000 | (515,533) | -90.84% |
| Miscellaneous | 2,743,764 | 2,704,710 | (39,054) | -1.42% |
| Other Financing Sources | 200,000 | 0 | (200,000) | -100.00% |
| Intergovernmental | 7,857,343 | 9,066,848 | 1,209,505 | 15.39% |
| Interfund Transfers | 964,622 | 1,312,767 | 348,145 | 36.09% |
| Fund Balance | 1,198,970 | 0 | (1,198,970) | -100.00% |
| TOTAL GENERAL FUND | <u><u>56,339,538</u></u> | <u><u>60,228,769</u></u> | <u><u>3,889,231</u></u> | <u><u>6.90%</u></u> |
| STATE LIQUID FUELS TAX FUND | 853,600 | 875,560 | 21,960 | 2.57% |
| COMM. DEV. BLOCK GRANT FUND | 3,685,060 | 3,637,436 | (47,624) | -1.29% |
| DEBT SERVICE FUND | 8,888,991 | 8,867,512 | (21,479) | -0.24% |
| WATER UTILITY FUND | 15,265,900 | 17,634,483 | 2,368,583 | 15.52% |
| SANITATION UTILITY FUND | 3,989,406 | 4,180,825 | 191,419 | 4.80% |
| LANDFILL/INCINERATOR UTILITY FUND | 3,123,900 | 3,801,624 | 677,724 | 21.69% |
| SEWERAGE UTILITY FUND | 13,504,114 | 13,498,793 | (5,321) | -0.04% |
| TOTAL REVENUE | <u><u>105,650,509</u></u> | <u><u>112,725,002</u></u> | <u><u>7,074,493</u></u> | <u><u>6.70%</u></u> |



CITY OF HARRISBURG SOCIO-ECONOMIC STATISTICS

Per Capita Income

| | <u>1980</u> | <u>1990</u> | <u>2000</u> |
|-----------------|-------------|-------------|-------------|
| HARRISBURG: | \$6,190 | \$11,037 | \$15,787 |
| DAUPHIN COUNTY: | \$7,525 | \$14,890 | \$22,134 |
| U.S.A.: | \$7,502 | \$14,659 | \$21,587 |

Per Capita Income Growth

| | <u>1980-1990</u> | <u>1990-2000</u> |
|-----------------|------------------|------------------|
| HARRISBURG: | 78.30% | 43.03% |
| DAUPHIN COUNTY: | 98.87% | 48.65% |
| U.S.A.: | 65.40% | 47.32% |

Percentage of Population Below Poverty Level

| | <u>1980</u> | <u>1990</u> | <u>2000</u> |
|-----------------|-------------|-------------|-------------|
| HARRISBURG: | 23.1% | 27.0% | 23.4% |
| DAUPHIN COUNTY: | 7.3% | 7.2% | 7.5% |
| U.S.A.: | 12.4% | 13.1% | 9.2% |

Owner Occupied Median Value

| | <u>1990</u> | <u>2000</u> |
|-----------------|-------------|-------------|
| HARRISBURG: | \$ 38,400 | \$ 56,900 |
| DAUPHIN COUNTY: | \$ 71,300 | \$ 99,900 |
| *MSA: | \$ 75,400 | \$107,500 |
| U.S.A.: | \$100,000 | \$119,600 |

Population

| <u>Year</u> | <u>Harrisburg</u> | <u>Dauphin County</u> | <u>*MSA</u> |
|------------------------|---------------------|---------------------------|-------------------|
| 1950 | 89,544 | 197,784 | 317,023 |
| 1960 | 79,697 | 220,255 | 371,653 |
| 1970 | 68,061 | 223,834 | 410,626 |
| 1980 | 53,264 | 232,317 | 447,626 |
| 1990 | 52,376 | 237,813 | 546,814 |
| 1997 | 50,886 | 245,793 | 615,625 |
| 1998 | 49,502 | 245,579 | 616,031 |
| 1999 | 48,619 | 245,576 | 618,375 |
| 2000 | 48,950 | 251,798 | 629,401 |
| % Change, 1950-2000 | - 45% (Decrease) | 27% (Increase) | 99% (Increase) |

*MSA: Metropolitan Statistical Area encompasses Harrisburg, Lebanon and Carlisle Areas

TAX RATE COMPARISON

| | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> | <u>1996</u> | <u>1995</u> | <u>1994</u> | <u>1993</u> | <u>1992</u> | <u>1991</u> | <u>1990</u> | <u>1989</u> | <u>1988</u> | <u>1987</u> | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------|
| City of Harrisburg¹ | 4.07 | 4.07 | 4.07 | 4.07 | 9.62 | 9.59 | 9.59 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 7.01 |
| | 24.41 | 24.41 | 24.41 | 24.41 | 48.09 | 38.36 | 38.36 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 18.18 |
| | 8.52 | 8.52 | 8.52 | 8.52 | 15.96 | 15.60 | 15.60 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 8.94 |
| Susquehanna Township² | 1.49 | 1.61 | 1.61 | 1.90 | 2.25 | 2.50 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 | 2.30 | 2.13 | 1.98 | 1.68 | |
| Swatara Township² | 1.81 | 1.94 | 1.84 | 1.84 | 3.11 | 3.11 | 3.11 | 2.96 | 2.96 | 2.96 | 2.96 | 2.96 | 2.96 | 2.96 | 1.55 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 |
| Lower Paxton Township² | 0.70 | 0.88 | 0.88 | 0.88 | 1.60 | 2.82 | 1.60 | 1.60 | 1.60 | 1.60 | 1.78 | 1.98 | 1.98 | 1.83 | 1.83 | 1.83 | 1.34 | 1.34 | 1.34 | 1.34 |
| Penbrook Borough | 7.36 | 7.36 | 5.61 | 5.03 | 10.55 | 10.55 | 10.55 | 9.55 | 8.40 | 6.90 | 6.00 | 5.50 | 4.50 | 4.50 | 4.30 | 3.90 | 3.90 | 3.90 | 3.90 | 3.80 |
| Paxtang Borough | 8.69 | 8.69 | 7.52 | 7.02 | 10.55 | 13.30 | 13.30 | 13.30 | 9.35 | 9.35 | 9.35 | 7.00 | 5.50 | 5.10 | 4.10 | 4.10 | 4.10 | 4.10 | 4.10 | 3.57 |
| Steelton Borough³ | 10.00 | 6.00 | 4.44 | 4.44 | 7.20 | 7.20 | | | | | | | | | | | | | | |
| | 12.00 | 12.00 | 6.49 | 6.49 | 17.44 | 17.44 | 9.00 | 9.00 | 6.50 | 6.50 | 6.50 | 6.50 | 5.25 | 5.25 | 5.25 | 5.25 | 4.00 | 3.50 | 3.50 | 3.50 |

1 - Harrisburg has a two-tiered tax structure. The top two figures shown are the millage rates for buildings/improvements and land, respectively. The bottom figure shown is the combined effective millage rate. In 2001, a county-wide reassessment was conducted, which resulted in lower millage rates effective January 1, 2002.

2 - In 2005, Susquehanna Township, Swatara Township, and Lower Paxton Township lowered their real estate tax millage rates when they imposed the new Emergency and Municipal Services Tax.

3 - In 2000, Steelton went to a two-tiered tax structure, however, they do not calculate a combined effective millage rate similar to that of Harrisburg. The top number is the millage rate on improvements and the bottom number is the millage rate on land.

| | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> | <u>1996</u> | <u>1995</u> | <u>1994</u> | <u>1993</u> | <u>1992</u> | <u>1991</u> | <u>1990</u> | <u>1989</u> | <u>1988</u> | <u>1987</u> | |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------|
| Harrisburg ¹ | 4.07 | 4.07 | 4.07 | 4.07 | 9.62 | 9.59 | 9.59 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 7.01 |
| | 24.41 | 24.41 | 24.41 | 24.41 | 48.09 | 38.36 | 38.36 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 18.18 |
| | 8.52 | 8.52 | 8.52 | 8.52 | 15.96 | 15.60 | 15.60 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 8.94 |
| Allentown ² | 17.52 | 14.72 | 14.72 | 13.22 | 13.22 | 13.22 | 12.22 | 12.22 | 12.20 | 12.20 | 12.20 | 12.20 | 12.20 | 12.20 | 12.20 | 43.60 | 44.20 | 44.20 | 44.20 | 40.80 |
| Bethlehem ³ | 12.50 | 11.75 | 11.50 | 10.90 | 10.90 | 10.90 | 10.90 | 10.90 | 10.50 | 10.50 | 10.50 | 9.80 | 9.60 | 9.60 | 9.00 | 39.50 | 37.75 | 35.00 | 35.00 | 35.00 |
| Easton ⁴ | 15.96 | 14.69 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 | 7.95 | 8.04 | 31.50 | 31.50 | 31.50 | 24.70 | 24.70 |
| Erie ⁵ | 9.71 | 9.71 | 9.91 | 42.98 | 42.98 | 42.98 | 43.23 | 43.23 | 43.23 | 43.23 | 43.23 | 42.78 | 42.78 | 42.78 | 40.50 | 40.00 | 39.75 | 39.25 | 38.25 | 38.25 |
| Johnstown ⁶ | 36.44 | 36.44 | 36.44 | 36.44 | 36.44 | 36.44 | 36.44 | 36.44 | 36.44 | 36.44 | 36.44 | 36.44 | 33.96 | 33.96 | 32.57 | 46.93 | 41.50 | 41.50 | 41.50 | 41.50 |
| Lancaster ⁷ | 7.67 | 8.24 | 8.24 | 7.59 | 6.84 | 6.84 | 6.84 | 5.88 | 5.88 | 5.88 | 29.90 | 28.50 | 26.00 | 26.00 | 26.00 | 26.00 | 25.00 | 24.00 | 24.00 | 24.00 |
| New Castle ⁸ | 8.42 | 8.42 | 8.42 | 23.34 | 22.03 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 |
| Reading ⁹ | 10.30 | 10.30 | 10.30 | 10.30 | 10.30 | 10.30 | 10.30 | 10.30 | 10.60 | 10.60 | 10.60 | 10.60 | 49.10 | 41.80 | 35.80 | 35.80 | 34.00 | 33.50 | 33.50 | 33.00 |
| Wilkes Barre ¹⁰ | 73.63 | 73.63 | 53.63 | 53.63 | 53.63 | 53.63 | 55.63 | 55.63 | 55.63 | 55.63 | 55.63 | 55.63 | 55.63 | 55.63 | 55.63 | 55.63 | 55.63 | 55.63 | 55.63 | 49.87 |
| York ¹¹ | 13.52 | 12.52 | 11.39 | 11.39 | 9.73 | 9.73 | 9.73 | 7.98 | 10.52 | 10.52 | 10.52 | 10.52 | 10.52 | 10.37 | 9.97 | 9.52 | 9.52 | 39.79 | 39.79 | 39.79 |

¹Harrisburg has a two-tiered tax structure. The top two figures shown are the millage rates for buildings/improvements and land, respectively. The bottom figure shown is the combined effective millage rate. In 2001, a county-wide reassessment was conducted, which resulted in lower millage rates effective January 1, 2002.

²Allentown has a 2-tiered tax structure and the figure shown is the combined effective millage rate. In 1990, LeHigh Valley was reassessed which resulted in a reduction in millage rates effective January 1, 1991.

³Bethlehem was reassessed which resulted in a reduction in millage rates effective January 1, 1991.

⁴Easton changed its calculation for determining the fair market value of real estate which resulted in a reduction in millage rates effective January 1, 1991.

⁵Erie was reassessed which resulted in a reduction in millage rates effective January 1, 2003, with a second reduction effective January 1, 2004.

⁶Johnstown Prior to 1991, millage rates were based on 50% of assessed value. Beginning in 1991, millage rates were based on 100% of assessed value, which resulted in a rate reduction.

⁷Lancaster In 1996, the City of Lancaster was reassessed which resulted in a reduction in millage rates effective January 1, 1997. Another reassessment took place in 2004, resulting in a reduction in millage rates effective January 1, 2005.

⁸New Castle In 2002, New Castle was reassessed which resulted in a reduction in millage rates effective January 1, 2003.

⁹Reading In 1994, the City of Reading changed their assessment method from a percentage to fair market value which resulted in a change in millage rates effective January 1 that same year.

¹⁰Wilkes Barre In 1998, the City decreased taxes by 2 mills. In 2004, a real estate tax millage increase of 20.00 mills was necessary to cover a significant operating deficit from 2003. This was the first time real estate taxes were raised since 1988. Millage rates are based upon 1936 assessed values.

¹¹York In 1988, York was reassessed which resulted in a reduction in millage rates effective January 1, 1989.

TAX RATE COMPARISON

PHILADELPHIA AND PITTSBURGH

| | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> | <u>1996</u> | <u>1995</u> | <u>1994</u> | <u>1993</u> | <u>1992</u> | <u>1991</u> | <u>1990</u> | <u>1989</u> | <u>1988</u> | <u>1987</u> | |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------|
| Harrisburg ¹ | 4.07 | 4.07 | 4.07 | 4.07 | 9.62 | 9.59 | 9.59 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 10.75 | 7.01 |
| | 24.41 | 24.41 | 24.41 | 24.41 | 48.09 | 38.36 | 38.36 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 32.25 | 18.18 |
| | 8.52 | 8.52 | 8.52 | 8.52 | 15.61 | 15.96 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 8.94 |
| Philadelphia ² | 34.74 | 34.74 | 34.74 | 37.45 | 37.45 | 37.45 | 37.45 | 37.45 | 37.45 | 37.45 | 37.45 | 37.45 | 37.45 | 37.45 | 37.45 | 37.45 | 37.45 | 37.45 | 37.45 | 35.05 |
| Pittsburgh | 10.80 | 10.80 | 10.80 | 32.00 | 32.00 | 32.00 | 32.00 | 32.00 | 32.00 | 32.00 | 32.00 | 32.00 | 32.00 | 32.00 | 32.00 | 32.00 | 27.00 | 27.00 | 27.00 | 27.00 |

1 - Harrisburg has a two-tiered tax structure. The top two figures shown are the millage rates for buildings/improvements and land, respectively. The bottom figure shown is the combined effective millage rate. In 2001, a county-wide reassessment was conducted, which resulted in lower millage rates effective January 1, 2002.

2 - Philadelphia reports its real estate taxes as a percentage of assessed value. These percentages are shown as millage rates for uniformity purposes. City Council sets the tax rate for both the City and School District. Since 1989, the combined tax rate has been 82.64 mills. In 2003, in order to provide additional funding to the school district while maintaining the same overall tax rate, the City's portion was lowered to 34.74.

The City of Harrisburg, Pennsylvania, Incorporated March 19, 1860

City Government Center - Harrisburg, Pennsylvania 17101

CITY REAL ESTATE TAX FOR 2004 TAX YEAR

MILLAGE RATE

APPRAISAL

| | | | |
|------------------|-----------|--------|--------------|
| LAND..... | 0.0244140 | 6,300 | DATE OF BILL |
| IMPROVEMENTS.... | 0.0040690 | 19,700 | 02/12/2004 |

| | | |
|-------------------------|--------|-----------------------|
| -2% DISCOUNT PAYMENT OF | 229.29 | IF PAID BY 04/12/2004 |
| FACE VALUE OF | 233.97 | IF PAID BY 06/12/2004 |
| +10% PENALTY PAYMENT OF | 257.37 | IF PAID BY 12/31/2004 |

-PROPERTY INFORMATION-

000000

--- CUSTOMER SERVICE ---
SUITE 305
MONDAY THROUGH FRIDAY
8:00 AM THROUGH 5:00 PM
PHONE (717) 255-6514

CITY COPY

----- PAYABLE TO -----
CITY TREASURER 8:30-4:30
MARTIN L KING, JR.
CITY GOVERNMENT CENTER
HARRISBURG PA 17101-1679

INSTALLMENT PLANS OF 4 EQUAL PAYMENTS BASED ON THE FLAT AMOUNT AVAILABLE. 1ST PAYMENT DUE ON OR BEFORE 02/12/2004. CALL TREASURY AT 255-3046 IF INTERESTED.

TEAR HERE

TEAR HERE

The City of Harrisburg, Pennsylvania, Incorporated March 19, 1860

City Government Center - Harrisburg, Pennsylvania 17101

CITY REAL ESTATE TAX FOR 2004 TAX YEAR

MILLAGE RATE

APPRAISAL

| | | | |
|------------------|-----------|--------|--------------|
| LAND..... | 0.0244140 | 6,300 | DATE OF BILL |
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-PROPERTY INFORMATION-

000000

IMPORTANT INSTRUCTIONS

- PLEASE RETURN THE CITY COPY ALONG WITH A CHECK OR MONEY ORDER MADE PAYABLE TO: "CITY TREASURER" DO NOT SEND CASH!!!!
- IF YOU DESIRE A RETURN RECEIPT, ENCLOSE BOTH COPIES AND A SELF-ADDRESSED STAMPED ENVELOPE. DELINQUENT REAL ESTATE TAXES ARE SENT TO THE TAX CLAIM BUREAU AFTER FINAL DATE.
- FAVOR DE DEV CITY COPY CON UN CHEQUE O GIRO POSTAL PAGADERO A: "CITY TREASURER" NO MANDE DINERO EN EFECTIVO!!!
- SI USTED DESEA UN RECIBO, FAVOR, DE INCLUIR AMBAS COPIAS ESTAMPADO UN SOBRE CON SU NOMBRE, Y DIRECCION. DESPUES DE LA FECHA FINAL, LAS FACTURAS UENCIDAS SERAN DEVUELTAS AL TAX CLAIM BUREAU.

CUSTOMER COPY

Harrisburg School District

1201 N 6th St, Harrisburg, PA 17102

HARRISBURG SCHOOL DISTRICT REAL ESTATE TAX FOR 2004 TAX YEAR

| | MILLAGE RATE | APPRAISAL | DATE OF BILL |
|-----------------|--------------|------------|--------------|
| AND..... | 0.0212300 | 0000006300 | |
| MPROVEMENTS.... | 0.0212300 | 0000019700 | 07/14/2004 |

| | | |
|-------------------------|--------|-------------------------|
| -2% DISCOUNT PAYMENT OF | 540.94 | IF PAID BY 09/14/2004 : |
| FACE VALUE OF | 551.98 | IF PAID BY 11/14/2004 : |
| +10% PENALTY PAYMENT OF | 607.18 | IF PAID BY 12/31/2004 |

C*

-PROPERTY INFORMATION-

016632

--- CUSTOMER SERVICE ---
MONDAY THROUGH FRIDAY
8:00 AM THROUGH 5:00 PM
PHONE (717) 255-6514

----- PAYABLE TO -----
CITY TREASURER 8:30-4:30
MARTIN L KING, JR.
CITY GOVERNMENT CENTER
HARRISBURG PA 17101-1679

CITY COPY

INSTALLMENT PLANS OF 4 EQUAL PAYMENTS BASED ON THE FLAT AMOUNT AVAILABLE. 1ST PAYMENT DUE ON OR BEFORE . CALL TREASURY AT 255-3046 IF INTERESTED.

TEAR HERE

TEAR HERE

Harrisburg School District

1201 N 6th St, Harrisburg, PA 17102

0

HARRISBURG SCHOOL DISTRICT REAL ESTATE TAX FOR 2004 TAX YEAR

| | MILLAGE RATE | APPRAISAL | DATE OF BILL |
|-----------------|--------------|------------|--------------|
| AND..... | 0.0212300 | 0000006300 | |
| MPROVEMENTS.... | 0.0212300 | 0000019700 | 07/14/2004 |

| | | |
|-------------------------|--------|-----------------------|
| -2% DISCOUNT PAYMENT OF | 540.94 | IF PAID BY 09/14/2004 |
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-PROPERTY INFORMATION-

016632

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- FAVOR DE DEV CITY COPY CON UN CHEQUE O GIRO POSTAL PAGADERO A: "CITY TREASURER" NO MANDE DINERO EN EFECTIVO!!!
- SI USTED DESEA UN RECIBO, FAVOR, DE INCLUIR AMBAS COPIAS ESTAMPADO UN SOBRE CON SU NOMBRE, Y DIRECCION. DESPUES DE LA FECHA FINAL, LAS FACTURAS VENCIDAS SERAN DEVUELTAS AL TAX CLAIM BUREAU.

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SB457_FAV.pdf

Uploaded by: Donna Edwards

Position: FAV



MARYLAND STATE & D.C. AFL-CIO

Affiliated with the National AFL-CIO

Donna S. Edwards
President

Samuel Epps, IV
Secretary-Treasurer

📞 410.280.2233

📠 410.280.2956

📍 7 School Street
Annapolis, MD 21401-2096

SB 457 - Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land

Senate Budget and Taxation Committee

February 18, 2026

SUPPORT

Donna S. Edwards

President

Chairman and members of the Committee, thank you for the opportunity to submit testimony in support of HB 78 which promotes efficient land use and encourages development that meets communities' needs. On behalf of our 700 affiliated unions, I offer the following comments.

With severe budget constraints affecting housing development and transportation funding, we must consider alternative solutions that tackle both challenges at once. The Department of Housing and Community Development reported housing production has not "notably" increased since the COVID-19 pandemic, and that the State is short over 96,000 housing units and states that "chronic underproduction exacerbates the mismatch of supply and demand, resulting in high housing cost burdens."

Transit-Oriented Development (TOD) was introduced as a workable solution to these growing issues calling for denser housing around mass transit areas. However, our current property tax system is more advantageous to build sparsely, which is the opposite of what is needed around transit stations. SB 457 addresses this by allowing counties and the City of Baltimore to use the "split-roll" tax for properties to separate the tax rate on land from the rate on improvements.

The "split-roll" tax system focuses on land-value return (LVR), shifting the tax burden away from buildings on a property to the land itself, incentivizing for building more densely rather than leaving land underutilized. Instead of assessing the value between general improvements and land as one singular rate, a split-rate tax would assess at two different rates. When split, the burden shifts towards the land, effectively shrinking rates and increasing density. When we focus on LVR, we encourage the development of multi-family housing, mixed-use development and other more maximized use for plots of land like area



unions@mddclabor.org



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parking lots. This approach helps maximize the productive use of unused land, supports communities, and tackles our housing and budget shortage.

This bill provides a progressive, reliable revenue source for public transportation while helping the State achieve its housing development goals. In light of our need for more housing, improved transit, and additional, sustainable sources of revenue, this bill provides long-term solutions.

For these reasons, we urge a favorable vote on SB 457.



unions@mddclabor.org



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MGA 2026 Testimony Bill SB0457 (Property Taxes - S

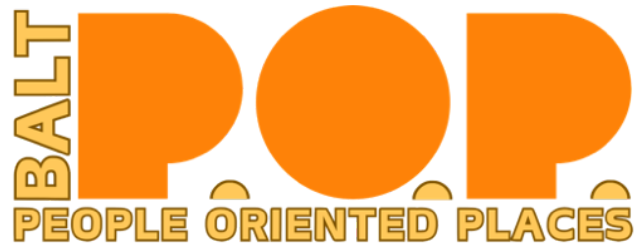
Uploaded by: Henry Cook

Position: FAV

Legislation: SB0457

Title: Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land

Position: **Favorable**



Members of the Senate Budget and Taxation Committee,

As a group, BaltPOP wants local governments to have more tools at their disposal to achieve their goals. SB 0457 does exactly that for Baltimore City and Maryland's counties. BaltPOP strongly supports enabling jurisdictions to enact a land-value tax shift in order to discourage land speculation and encourage the productive use of land, which would be enabled by this bill.

The intent of this bill is simple - to **provide county-level jurisdictions increased policy flexibility by enabling the tax rate between land and improvements to be decoupled**. Jurisdictions could make local decisions about the best tax rates against the assessed value of land and property based on their local policy goals. It does not require any jurisdiction to change policy, it is enabling legislation.

For example, a jurisdiction may wish to spur development in areas with high infrastructure investment and maintenance by increasing the tax rate on land versus improvements. This is referred to as a "**land value tax shift**" and could be implemented in a revenue neutral manner to further policy goals. Increasing tax rates on land while decreasing tax rates on improvements **increases the carrying cost of vacant land while decreasing the "tax penalty" for current owners who improve their properties**. The owner of an underutilized property with very low carrying cost has no tangible incentive to improve or sell that property, so they figure they might as well hold onto it; just in case real estate values increase in the area. This amounts to a speculative profit from other private and public investment. Meanwhile, the city/county and surrounding community suffers.

The benefit of this change is overwhelmingly received by those who are invested and embedded in our community. Those who maintain homes and productive businesses win while land speculators and less productive businesses feel pressure to improve how efficiently they use their land.

A simplified example below illustrates how a split rate system could be constructed that would provide homeowners a tax benefit while shifting tax burden to those who benefit from public infrastructure (roads, schools, fire and emergency response) but currently provide less tax revenue to support infrastructure and services.



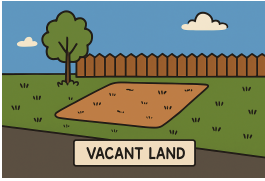
| | | | |
|---|--|--|--|
| <p>Current Law for Counties & Baltimore City</p> <p>Total Revenue = \$3,800</p> |  <p>SINGLE-FAMILY HOME</p> <p>Residential Lot</p> |  <p>PARKING LOT</p> <p>Minimally Improved Commercial</p> |  <p>VACANT LAND</p> <p>Vacant Lot</p> |
| Improvement Value | \$70,000 | \$30,000 | \$0 |
| Land Value | \$30,000 | \$30,000 | \$30,000 |
| Assessed Value | \$100,000 | \$60,000 | \$30,000 |
| Property Tax Due ● 2% of Assessed Value | \$2,000 | \$1,200 | \$600 |

Table 1 - A simple scenario with three types of property on substantially similar lots.

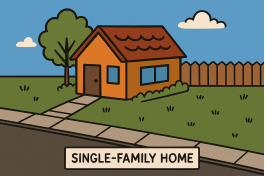

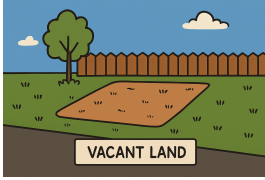
| | | | |
|---|---|---|---|
| <p>Tax Revenue Neutral Split-Rate Scenario</p> <p>Total Revenue = \$3,800</p> |  <p>SINGLE-FAMILY HOME</p> <p>Residential Lot</p> |  <p>PARKING LOT</p> <p>Minimally Improved Commercial</p> |  <p>VACANT LAND</p> <p>Vacant Lot</p> |
| Improvement Value | \$70,000 | \$30,000 | \$0 |
| Land Value | \$30,000 | \$30,000 | \$30,000 |
| Total Assessed Value | \$100,000 | \$60,000 | \$30,000 |
| Property Tax Due ● 1% of Improvements, ● 3.11% of Land | \$1,633 | \$1,233 | \$933 |
| Change from Baseline | -18% | 3% | 55% |

Table 2 - Assuming the local jurisdiction implements a revenue neutral split rate property tax

This simplified scenario shows that a modest shift to tax rates between improvement value and land value can result in a tax reduction for homeowners, minimal change even to modestly improved lots, and a substantial increase in the carrying cost for an empty lot. If this policy has the desired effect, the owner of the vacant land will be spurred to either improve the land such

that it generates income to cover the tax increase or sell it to someone who will - resulting in "New Residential" in the table below.



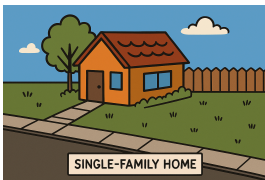
| | | | | |
|---|--|--|--|-----------|
| Split Rate Spurs Development on Underutilized Lots Total Revenue = \$4,500 (+18%) |  <p>SINGLE-FAMILY HOME</p> <p>Residential Lot</p> |  <p>PARKING LOT</p> <p>Minimally Improved Commercial</p> |  <p>SINGLE-FAMILY HOME</p> <p>New Residential</p> | |
| | Improvement Value | \$70,000 | \$30,000 | \$70,000 |
| | Land Value | \$30,000 | \$30,000 | \$30,000 |
| | Total Assessed Value | \$100,000 | \$60,000 | \$100,000 |
| | Property Tax Due <ul style="list-style-type: none"> ● 1% of Improvements ● 3.11% of Land | \$1,633 | \$1,233 | \$1,633 |

Table 3 - The resulting tax revenue if the vacant lot is development into a new home

With the Split Rate Taxation scenario above, we see the overall jurisdiction tax revenue has increased due to the development spurred on the vacant lot. Under the Split Rate Taxation, the owner of that lot sees an increased tax bill, but under our Split Rate example the increase is only \$700 (from \$933 to \$1,633) after constructing the improvements, rather than \$1,400 (from \$600 to \$2,000). This highlights another benefit of split rate taxation, the tax "penalty" for improvements/development is reduced.

Overall, Split Rate Taxation benefits existing homeowners through potential tax reduction on existing improvements while also reducing the need for tax incentives on new development. This stands in contrast to tax incentive programs to spur development, which often only benefit new development while leaving long-standing residents out in the cold.

This also benefits homeowners who might want to improve their property by building an addition or performing other renovations - who are currently discouraged from doing so by the prospect of a reassessment that will substantially increase their taxes.

We hope the committee finds these points helpful and convincing and we urge its members to **vote in favor of SB 0457**. Thank you for your efforts and the opportunity for us to testify on this legislation.

SB0457-BT_MACo_SUP.pdf

Uploaded by: Kevin Kinnally

Position: FAV



Senate Bill 457

*Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates
for Land and Improvements to Land*

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: February 18, 2026

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** SB 457. This bill authorizes county governments and Baltimore City to establish subclasses of real property, separating land from improvements, and to apply different real property tax rates to each subclass.

SB 457 advances a core county priority by providing additional flexibility within existing property tax authority. Counties face rising costs for school construction, transportation infrastructure, and other public facilities driven by development patterns that place different demands on land and improvements. Current State law requires counties to tax land and buildings together at a single rate, limiting the ability to align tax policy with those cost drivers.

The bill provides a measured option to better reflect development patterns and public investment decisions. By allowing separate tax treatment for land and improvements, counties can encourage redevelopment, support infill growth, and better align revenues with infrastructure needs based on local conditions and priorities. Further, for jurisdictions seeing potential housing projects stalled as properties remain unimproved, they may be able to realign local taxes to help spur development where sensible, helping align taxation and pro-housing policies.

Under the bill, any use of this authority would require local legislative action, public hearings, and stakeholder input. Counties would retain discretion over whether to adopt subclasses and how to structure rates, and no county would be required to act.

Municipal governments already have greater flexibility in setting property tax rates. SB 457 provides counties with a limited, optional split-rate authority, aligned with local decision-making and accountability.

SB 457 provides counties with a practical tool to respond to growth-related costs within a defined statutory framework. For these reasons, MACo urges the Committee to issue a **FAVORABLE** report.

SB0457_MDSierraClub_fav_18Feb2026.docx (1).pdf

Uploaded by: Lindsey Mendelson

Position: FAV



SIERRA CLUB

MARYLAND CHAPTER

P.O. Box 278
Riverdale, MD 20738

Committee: Budget and Taxation

Testimony on: SB 457, Property Taxes – Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land

Position: Support

Hearing Date: February 18, 2026

The Maryland Chapter of the Sierra Club urges a favorable report on SB 457. This bill would enable Baltimore City or counties to establish subclasses of real property consisting of land and improvements to land and set separate real property tax rates for each subclass.

With a split-rate property tax, a jurisdiction would be allowed to tax land and buildings at different rates. This authority could be used to encourage owners of underdeveloped land to maximize the number of homes or businesses on their land in order to lower the per-tenant tax burden. The Maryland Sierra Club is interested in this bill as a way to help incentivize development and density around rail stations where it is most sustainable to concentrate new growth.

Rail stations are massive public investments, which in turn significantly increase the value of nearby properties. However, the full potential benefit of this public investment in terms of transit-oriented development and tax revenue is not generally fully captured by local governments due to the design of the traditional property tax system.

Split-rate taxes can be designed to maximize the desired type of economic development, such as redevelopment of underutilized commercial parcels, and can be implemented in a way that does not increase taxes on certain property owners, such as homeowners. This change would provide Baltimore and Maryland's counties with more authority over their property tax systems.

For these reasons, we urge you to submit a favorable report of SB 457.

Jane Lyons-Raeder
Chair, Transportation Committee
janeplyons@gmail.com

Josh Tulkin
Chapter Director
Josh.Tulkin@MDSierra.org

Written Testimony SB 457 – Land Value Taxation.pdf

Uploaded by: Matthew Girardi

Position: FAV



Statement of the Amalgamated Transit Union (ATU) Local 689

SB 457– Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for
Land and Improvements to Land
February 18th, 2026

TO: The Honorable Guy Guzzone and Members of the Budget and Taxation Committee
FROM: Matthew Girardi, Political & Communications Director, ATU Local 689

ATU Local 689 supports SB 457 and urges the Budget and Taxation Committee to issue a favorable report. This bill would be an invaluable reform for land use and taxation that would benefit working class Marylanders, and help usher in more livable and accessible communities.

At Local 689, we represent over 15,000 transit workers and retirees throughout the Washington DC Metro Area performing many skilled transportation crafts for the Washington Metropolitan Area Transit Authority (WMATA), MetroAccess, and MTA Commuter Bus among others. Over 100 years, our union helped turn low-wage, exploitative transit jobs into transit careers. We became an engine for the middle-class of this region.

In particular, over 9,000 of our members work at WMATA. As the General Assembly saw two years ago, Metro stated that it faced a massive operating budget shortfall. This was stated to have been driven by a decrease in ridership (and thus fares) and inflation precipitated by the pandemic combined with the exhaustion of federal relief funds. To meet that stated shortfall, all of the Metro compact members thankfully rebaselined their contributions, however, a deeper problem remained: the authority still did not have a stable source of dedicated funding. This problem is compounded by Maryland's current budget crises, both in the General Fund and the Transportation Trust Fund.

Simultaneously, across the region, we face a severe shortage of housing and a crisis in affordability. In Maryland, too few housing units are being built, and that shortage is especially severe in walkable, densely built, and transit accessible places. According to the Department of Housing and Community Development, Maryland is short over 96,000 housing units and has underproduced an average of 5,600 units of housing every year over the past 10 years. Similarly, according to a report by the Central Maryland Transportation Alliance, only 7% of jobs outside of Baltimore are accessible within an hour of transit in the state. Transit oriented development has thankfully been advocated by many throughout all levels of elected government in Maryland, however, to take it to the next level, we must also allow for a tax shift along with land-use flexibility and other fiscal incentives.

Land-value taxation is a revenue strategy focused on shifting the tax burden away from buildings on a property and towards the land itself. Doing so results in more incentive for building densely than a traditional general property tax (or GPT). Under LVT, also known as "split-rate," taxes are assessed not as an amalgam of the value between general improvements and land, but rather as two separate rates. When decoupled and the burden is shifted towards land, the effective rate shrinks as density increases. Therefore, under a traditional GPT, sparse development like surface area parking lots and spacious single family homes are advantaged. Conversely, under LVT, multifamily housing, mixed use development, and other more maximized use for plots of land are advantaged. Thus, if applied to areas surrounding transit, the approach could yield transformative results for TOD. Further, because landowners tend to skew wealthier both than property owners and renters alike, this would be a progressive measure.

Additionally, an approach of LVT surrounding transit could have fundamental fairness principles built into it. If one lives close to major rapid transit infrastructure, in this case, rail, their property's value is buoyed by that public investment. For instance, whether a landowner with land a block from a station directly rides transit or not, the value of their land is tied, in part, to their proximity to transit and its continued operation. As such, using LVT to potentially fund transit would be recycling land values back into the system that sustains them in the first place instead of allowing it to be entirely a private windfall benefit. However, we also recognize that this same principle can also be applied to public goods that boost the value of land like schools, parks, and so much more.

SB 457 is an incredibly exciting proposal for that reason. It extends the authority for counties and the City of Baltimore to enact LVT if they so choose. This bill would thus allow a progressive, reliable revenue source for transit, and to conform tax incentives to housing goals. While it would still fall to counties themselves to potentially impose LVT, this would give them this amazing tool in their toolkit. Especially in the context of our tight fiscal situation, our need for more housing, and counties' requests for greater options for revenue sources, SB 457, through a simple change, would be a lifeline for the region.

As an organization of transit workers, we know our members need both housing and reliable funding for their vital work. After all, it is a cruel irony that the people who power transit systems, transit workers, are too often locked out of being able to live in walkable, accessible communities by high housing costs and short supply. This proposal is an exciting opportunity for Maryland to finally start to change this. With SB 457, the state can improve its landscape, encourage TOD, and give a vital revenue source for counties and Baltimore City to potentially use.

Local 689 thanks Senator Rosapepe for this worthy measure and highly encourages the committee to issue a favorable report.

ACT SUPPORT for SB0457 Land Value Tax (1).pdf

Uploaded by: Michael Larkin

Position: FAV



Montgomery County's Advocates for Better Transportation

P.O. Box 7074, Silver Spring MD 20907 • admin@actfortransit.org

Chair Guy Guzzone
And Members, Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

February 13, 2025

Re: SUPPORT for SB0457- Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land

Dear Chair Guzzone and Members of the Budget and Taxation Committee,

The Action Committee for Transit (ACT), a volunteer-led organization based in Montgomery County, supports SB045. The ACT board and volunteers are united by a vision of socially and economically vibrant communities made possible by transit. ACT supports this legislation because it returns the proceeds from the value of land to the public. Land is made valuable due to the infrastructure the public funds. It is only fair that the value be used to address our state's vital transit and housing needs.

Under the current property tax system someone owning a vacant lot pays less property taxes than someone who builds on a vacant lot. Property taxes are creating a perverse incentive to keep lots vacant and deepen inequities because local jurisdictions can only fully capture property tax revenue once building sites are developed. Some areas enjoy the benefits of investment while other neighborhoods suffer economic and social distress.

A split-rate property tax system as proposed in this legislation will empower local jurisdictions to make development more attractive by authorizing them to increase taxes on unimproved land. The owners of unimproved land will no longer have the incentive to hold it until they can sell it or develop it after years of disuse and minimal revenue generation. This split-rate tax is a more progressive form of taxation than increasing general property taxes, and it ensures valuable land will not go to waste at the expense of the public.

The state of Maryland is facing an ongoing budget shortfall. We must get more creative about how revenue is generated for the public good. [Some local jurisdictions](#) in Virginia already have the authority to levy land value taxes. ACT strongly recommends a positive report for SB0457.

Sincerely,

Michael Larkin
Vice President, Action Committee for Transit

ESLC_SB457_Support_2.16.26.pdf

Uploaded by: Owen Bailey

Position: FAV



Senate Budget and Taxation Committee
Maryland General Assembly

Dear Chair Guzzone and Members of the Committee,

The Eastern Shore Land Conservancy supports Senate Bill 457, which authorizes counties and Baltimore City to establish distinct subclasses of real property and to set separate tax rates for land and for improvements to that land. This thoughtful reform, advanced by Senator Rosapepe, represents a meaningful step toward a more dynamic property tax structure that strengthens local budgets, supports reinvestment in existing communities, and helps counties guide growth in a way that maximizes public benefit.

For decades, local governments across Maryland have grappled with the financial and infrastructural consequences of low-density, land-consuming development patterns. When land is undervalued relative to the buildings placed upon it, the tax system inadvertently encourages scattered growth on the rural edges, even as existing communities struggle to maintain their streets, stormwater systems, public services, and legacy infrastructure. SB 457 offers counties a new tool that aligns public revenue structures with public goals, allowing communities to reward reinvestment in towns and corridors where infrastructure already exists, while discouraging the premature consumption of farmland, forests, and open spaces.

The Eastern Shore Land Conservancy, Maryland's largest land trust, works across Cecil, Kent, Queen Anne's, Talbot, Caroline, and Dorchester Counties. Time and again, we see that the most economically and environmentally resilient communities are those that concentrate growth where it can be most efficiently supported. Our partnerships with state and local agencies through Rural Legacy, Program Open Space, and other conservation programs have revealed a simple truth. The economic value created by Maryland's iconic landscapes, its agricultural heritage, its working forests, and its outdoor recreation assets is not an abstraction, but a measurable and powerful force for regional prosperity. A recent study found that the natural resources economy on the Eastern Shore generates billions in annual economic activity and supports tens of thousands of jobs, illustrating how deeply these landscapes contribute to the well-being of our communities.

SB 457 does not mandate a particular tax structure. Instead, it grants local governments the authority to adopt one if they believe it will improve fiscal health, support revitalization, enhance housing supply where infrastructure is strongest, and safeguard irreplaceable natural lands. In an era when counties face increasing demands on their budgets and for more housing, this legislation allows them to align revenue generation with long-term sustainability and prudent land stewardship. It is a tool, not a directive, yet its potential for positive impact is substantial.





We also note that this authority arrives at a moment when the State is striving to balance the need for housing opportunity with the need for conservation. The ability to distinguish between land value and the value of buildings placed upon that land encourages redevelopment, adaptive reuse, and incremental growth within existing communities, helping to meet housing needs without sacrificing rural landscapes that define the character, culture, and economic foundation of the Eastern Shore.

For these reasons, and in recognition of the economic, environmental, and civic benefits associated with better-aligned property tax policy, the Eastern Shore Land Conservancy respectfully urges the Committee to issue a favorable report on Senate Bill 457. This legislation gives local governments the freedom to pursue a more efficient pattern of growth, a more responsible use of public infrastructure, and a more sustainable future for Maryland's diverse landscapes.

Thank you for your consideration and for your continued commitment to Maryland's communities and natural resources.

Sincerely,

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the left.

Director of Land Use and Policy
Eastern Shore Land Conservancy



Testimony in support of SB0457 - Property Taxes Se

Uploaded by: Richard KAP Kaplowitz

Position: FAV

SB0457_RichardKaplowitz_FAV

02/18 /2026

Richard Keith Kaplowitz
Frederick. MD 21703-7134

TESTIMONY ON SB#0457 - POSITION: FAVORABLE
Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land

TO: Chair Guzzone, Vice Chair Rosapepe, and members of the Budget & Taxation Committee
FROM: Richard Keith Kaplowitz

My name is Richard Kaplowitz I am a resident of District 3, Frederick County. I am submitting this testimony in support of SB0457, **Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land**

This bill will permit Baltimore city and counties in Maryland to set special property tax rates by the establishment of subclasses of real property consisting of land and improvements to land and set separate real property tax rates for each subclass.

The Federal Reserve Bank of Chicago discusses *Land Value Taxes—What They Are and Where They Come From*.¹ NewAmerica.org argues in favor of the concept of this bill in their article *Tax Land, Not Buildings, to Spur Development*²

The Housing Solutions Lab makes these arguments in favor of this approach³

Proponents of land value taxation argue that this approach would yield several benefits including:

- Discouraging speculation on vacant lots that have been zoned for development, as landowners would pay the same amount of taxes for vacant lots as those put to productive use
- Encouraging development and beneficial land uses in lower-cost and infill areas, as improvements would not be taxed and low taxes on low-value land could stimulate new construction
- Increasing the cost of land ownership, which in turn would moderate land prices and potentially reduce the cost of housing

Based on the commonsense arguments for this approach and the benefits it can offer I believe this bill should be reported favorably. I respectfully urge this committee to return a favorable report on SB0457.

¹ <https://www.chicagofed.org/publications/chicago-fed-letter/2023/489>

² <https://www.newamerica.org/future-land-housing/blog/tax-land-not-buildings-to-spur-development/>

³ <https://www.localhousingsolutions.org/housing-policy-library/land-value-taxation/>

SB 457 - Just Economics Testimony - 2026-02-18 - O

Uploaded by: Rick Rybeck

Position: FAV



Testimony **Summary in Favor of
SENATE BILL 457:**

**An Act Concerning
Property Taxes – Authority of Counties to Establish
Subclasses and Set 2 Separate Rates for Land and
Improvements to Land**

Hearing of the Budget & Taxation Committee

February 18, 2026

**Rick Rybeck, Director
Just Economics, LLC**

My name is Rick Rybeck. I'm an attorney with a master's degree in real estate and urban development.

I'm testifying in support of Senate Bill 457, introduced by Senator Rosapepe. The purpose of this legislation is to provide Maryland counties and Baltimore City with the same power to set property tax rates as is now provided to most municipalities under MD CODE § 6-303. SB 457 amends MD CODE § 6-302 allowing counties and Baltimore to set different tax rates on privately-created building values and publicly-created land values. **There is no reason to deny counties and Baltimore taxing powers already delegated to municipalities.** If only for fairness and parity, Senate Bill 457 should be enacted into law.

Unfortunately, **the Fiscal Note accompanying this bill paints a false picture.** First, the software change required to generate tax bills is a simple arithmetic equation. During this age of AI coding and cloud data storage, a \$39 million cost estimate seems excessive. Second, **SB 224, very similar to SB 457, has a \$0 fiscal impact to the State according to its Fiscal Note.** Third, even if SDAT must spend money to update its software, **this expenditure is already required by current law, MD CODE § 6-303. SB 457 creates no new spending requirement.**

In Pennsylvania, about twenty communities have used the ability to shift property taxes off of building values and onto land values to promote job creation and affordable housing without new spending or revenue loss.

SB 457 does not mandate tax reform. **SB 457 allows counties and Baltimore to enhance employment, affordability and economic vitality. I urge your support.**

If you have questions, please contact me at r.rybeck@justeconomicsllc.com .

SB 457 - Just Economics Testimony - 2026-02-18 FNL

Uploaded by: Rick Rybeck

Position: FAV



**Testimony in Favor of
SENATE BILL 457:**

**An Act Concerning
Property Taxes – Authority of Counties to Establish
Subclasses and Set 2 Separate Rates for Land and
Improvements to Land**

Hearing of the Budget and Taxation Committee

February 18, 2026

**Rick Rybeck, Director
Just Economics, LLC**

My name is Rick Rybeck. I am an attorney with a master's degree in real estate and urban development. I serve as the director of Just Economics, LLC, a consultancy that helps communities harmonize economic incentives with public policy objectives for job creation, affordable housing, transportation efficiency and sustainable development.

I am testifying in **support** of **Senate Bill 457**, introduced by Senator Jim Rosapepe. The primary purpose of this legislation is to provide Maryland counties and Baltimore City with the same power to set property tax rates as is now provided to most other Maryland municipalities pursuant to MD TAX-PROPERTY CODE § 6-303(c)(1). There is no reason to deny Maryland counties and Baltimore City taxing powers delegated to Maryland municipalities. **Senate Bill 457 provides “tax parity.”**

BACKGROUND:

In Maryland, the law governing property tax assessments and rates is Article 15 of the Declaration of Rights and reads as follows:

Art. 15. That the levying of taxes by the poll is grievous and oppressive, and ought to be prohibited; that paupers ought not to be assessed for the support of the government; that the General Assembly shall, by uniform rules, provide for the separate assessment, classification and sub-classification of land, improvements on land and personal property, as it may deem proper; and all taxes thereafter provided to be levied by the State for the support of the general State Government, and by the Counties and by the City of Baltimore for their respective purposes, shall be uniform within each class or sub-class of land, improvements on land and personal property which the respective taxing powers may have directed to be subjected to the tax levy; yet fines, duties or taxes may properly and justly be imposed, or laid with a political view for the good government and benefit of the community (*amended by Chapter 390, Acts of 1914, ratified Nov. 2, 1915; Chapter 64, Acts of 1960, ratified Nov. 8, 1960*).

Article 15 states that “land” and “improvements on land” are (or could be) separate classes of property. It also states that “sub-classes” of property can be created. Therefore, while both buildings and land should be assessed at their full fair market value, the Maryland Declaration of Rights permits applying different tax rates to privately-created building values and publicly-created land values.

Additionally, MD TAX-PROPERTY CODE § 6-303(c)(1) permits Maryland municipalities to tax land and improvements at separate rates. The text reads as follows:

“(c) Single rate for all property. --

(1) **Unless otherwise provided by the governing body of the municipal corporation:**

(i) there shall be a single municipal corporation property tax rate for all real property subject to municipal corporation property tax except for operating real property described in § 8-109(c) of this article; and . . .”

“Unless otherwise provided . . .” means that a municipal government may set different rates on different classes of property.

However, MD TAX-PROPERTY CODE § 6-302, governing the setting of property tax rates by Maryland counties and Baltimore City includes no “*unless otherwise provided*” language. Thus, Maryland counties and Baltimore City are not allowed to set different tax rates for different classes of property. There is no justifiable reason why Maryland law should prohibit Maryland counties and Baltimore City from exercising the tax rate setting powers that other Maryland municipalities may employ. Senate Bill 457 amends § 6-302 and rectifies this situation. If only for fairness and parity, Senate Bill 457 should be enacted into law.

RATE-SETTING PARITY IS IMPORTANT:

Economists as diverse as Adam Smith, Karl Marx, Milton Friedman and Joseph Stiglitz (among others) all agree that taxing privately-created building values increases the cost of building production, thereby reducing their construction, improvement and maintenance. These economists would agree that taxing building values increases building prices while reducing employment and economic vitality. It is also true that if a property owner improves a building, doing so does not impose any cost on the community. So why penalize this beneficial activity with an increase in taxes? Thus, a strong case can be made for reducing the property tax applied to building values.

These same economists also agree that community-created land values are a justifiable source of community revenue for at least two reasons:

- First, land values are created by nature and by communities, chiefly through the provision of public goods and services. Therefore, returning community-created land values to communities is fair and just -- as property owners pay in proportion to the benefits they receive from public goods and services;
- Second, returning community-created land values to a community does not penalize or discourage productive investment. In fact, by increasing the costs of land hoarding and reducing the profits from land speculation, land value return helps keep land prices more affordable while inducing development of high-value sites – which are typically located near existing infrastructure amenities and where we want development to occur in order to avoid urban sprawl.

Thus, without new spending or revenue loss, shifting the property tax off of privately-created building values and onto community-created land values can help make both buildings and land more affordable. As a bonus, this tax shift encourages infill development which reduces urban sprawl. Sprawl is bad for agriculture, bad for the environment (including the Chesapeake Bay) and costly for taxpayers who must pay for the wasteful duplication of expensive infrastructure systems at the urban fringe.

The effects of this “**Tax Shift**” are not simply theoretical. They have been proven empirically by studying communities that have reduced the property tax rate applied to building values while increasing the rate applied to land values. About twenty cities in Pennsylvania, including the state capital of Harrisburg, are taxing improvement values at lower rates than land values. Additionally, land value return has been used to finance flood control dams in Ohio and rural irrigation districts in California. For more information, see “AVOIDING MIS-GIVINGS: RECYCLING COMMUNITY-CREATED LAND VALUES FOR AFFORDABILITY, SUSTAINABILITY AND EQUITY,” *Journal of Affordable Housing & Community Development Law*, Vol. 28 No. 2, 2019, pp299-323. This article can be found at <https://drive.google.com/file/d/1REIQPQ0ZQWIJHPzixb90rjGr3LYWrxqu/view> . (For a shorter, less scholarly article, see "[Land value return](#)" and [building a more equitable economy - Shareable](#).)

MARYLAND COUNTIES AND BALTIMORE CITY ARE READY FOR SUCCESS

Maryland counties are quite diverse. Some are very urban, some are very rural and others are in between. The good news is that the Tax Shift mentioned above has worked well in both urban and rural communities, in large cities and small towns. A Tax Shift could be helpful in promoting more affordable transit-oriented development along the Purple Line transit corridor in Montgomery County and Prince George’s County while reducing economic displacement of working-class families and small businesses.

Although housing prices in Baltimore are typically less than in some other east-coast cities, for people who are unemployed, even cheap housing can be unaffordable. As mentioned above, reducing the tax rate applied to building values while increasing the rate applied to land values will reduce the cost of building construction, improvement and maintenance, thereby increasing these activities and employment. It will also encourage the redevelopment of vacant properties. Instead of preferential tax abatements for a favored few, a Tax Shift could be characterized as a “**universal tax abatement**,” because it would reduce the tax on all buildings.

Thus, **Maryland counties and Baltimore could induce more employment, more infill development and more affordable rents for both businesses and residents without new spending or revenue loss.** In other words, a Tax Shift would make implementing jurisdictions more economically vibrant and competitive. If this reform became popular, Maryland’s economy would improve, along with its fiscal health.

Despite all of the positive effects associated with a “land value return tax shift,” most people are not familiar with it. It’s natural, therefore, to have questions. Many of the most common questions and concerns regarding a Tax Shift are answered by Baltimore Thrive on their website at <https://baltimorethrive.org/learn-more/> .

As mentioned above, taxing improvement values and land values at different rates could be very positive for Maryland counties and Baltimore City. Unfortunately, Section 302 of Title 6 of the Maryland Property Tax Code prevents this common-sense reform that has been successfully implemented in other communities. And this is why Senate Bill 457 is both necessary and important.

This idea is not new. In 1992, the Baltimore City Council enacted a resolution (Council Bill No. 220), urging the Maryland legislature to make this change. **The Maryland Association of Counties (MACo), endorsed House Bill 1276** (in 2020). See https://www.ciclt.net/ul/mdcounties/HB1276_MACo_SUPPORT_Kinnally.pdf . Delegate Boyce introduced House Bill 1320 (in 2021) and House Bill 310 (in 2022) which were similar to Senate Bill 457. House Bill 1178 (in 2025) was introduced to permit a Tax Shift around designated intercity rail and rail transit stations. **Senate Bill 457** (a cross file for House Bill 78 introduced by Delegate Stewart in 2026), **is superior to most of these other bills because it is simple, straight-forward and comprehensive.**

SB 457 provides Maryland counties and Baltimore City with the same power to set tax property tax rates as is now provided to most other Maryland municipalities pursuant to MD TAX-PROPERTY CODE § 6-303(c)(1). Some delegates might object to Senate Bill 457, expressing a concern that jurisdictions governed by MD TAX-PROPERTY CODE § 6-302 might abuse this new power. This same power has resided with Maryland municipalities for many years. They have not abused it. Elected officials in Maryland counties and Baltimore City are just as accountable to their constituents as municipal officials elsewhere in Maryland.

FISCAL AND POLICY NOTE

Although the Fiscal and Policy Note accompanying SB 457 should be objective, it appears to be misleading.

Fiscal Summary, State Effect:

The Fiscal Note states that the fiscal effect on the State would be approximately \$39 million in FY2027 and approximately \$8 million in FY2031. The accuracy of this estimate is questionable in light of several factors:

1. Given the sophistication of assessment software and its voluminous data storage, it is difficult to believe that relatively minor changes in the billing equation and data storage would require such a large expenditure.

Status quo: $[(\text{land assmt} + \text{building assmt}) - \text{assmt deductions}] \times \text{rate} = \text{bill}$

Tax Shift: $[(\text{land assmt} - 50\% \text{ deductions}) \times \text{land rate}] + [(\text{building assmt} - 50\% \text{ deductions}) \times \text{building rate}] = \text{bill}^*$

* Of course, whether to take deductions equally off land and building assessments or to deduct them in different proportions is a policy question that could be handled through Tax Shift implementing ordinances.

2. Even if the SDAT cost estimate is correct, **SB 457 does not require this spending.** Municipalities already have the authority to tax land and improvements at separate rates. Therefore, if SDAT needs to spend money to improve its assessments and billing software to accommodate taxing land and improvements at separate rates, **existing law already requires this expenditure.** **Therefore, SB 457 would have no fiscal impact on the State.**
3. SB 224 is similar legislation to SB 457. SB 224 allows counties and Baltimore to establish separate classes of real property and to set different tax rates upon those classes. Maryland municipalities already have this authority. The Fiscal and Policy Note for SB 224 states that **SB 224 has no fiscal impact on the State.** In light of point #2 above and in light of the similarity between SB 224 and SB 457, **the accuracy of the Fiscal and Policy Note for SB 457 appears to be questionable.**

Potential Advantages & Disadvantages of Land Value Taxation

The Fiscal Note assumes that jurisdictions might use SB 457 to tax building values at lower rates than land values. While SB 457 would allow this, **SB 457 also allows the exact opposite and it allows for no change whatsoever.** Therefore, these potential advantages and disadvantages could be reversed or irrelevant, depending upon the actions or inactions of Maryland counties and Baltimore.

DO THE RIGHT THING:

Senate Bill 457 does not mandate tax reform. Maryland counties and Baltimore City could continue with the traditional property tax if they think that it is in their best interest. But, these communities deserve the opportunity and the right that is afforded to every other municipal government in Maryland to pursue a “Tax Shift” reform should they choose to do so. **Voting “Yes” on Senate Bill 457 would end baseless discrimination and provide many Maryland jurisdictions an opportunity to pursue a no-cost Tax Shift to increase employment, economic vitality and affordable housing.**

Thank you for the opportunity to **testify in support of Senate Bill 457.** Please contact me if you have any questions or concerns about my testimony.

You can contact me at r.rybeck@justeconomicsllc.com .

SB 457 Testimony_Sean Gordon.pdf

Uploaded by: Sean Gordon

Position: FAV

My name is Sean Gordon, and I am offering this testimony in support of SB 457 (HB 0078).

I am a proud resident of Baltimore City, and I love this place with all my heart. But every day, I witness our city struggling. I walk past vacant rowhouses and empty lots in neighborhoods that once bustled with life. I see my neighbors worried about finding an affordable home while blocks of houses sit boarded up. For far too long, there have been far too many vacant properties in Baltimore, limiting opportunities for homeownership, small businesses, and the revitalization of our communities. This isn't just a statistic; it's a reality that affects all of us.

Yet, despite these challenges, I am writing to you filled with hope. Why? Because I know Baltimore's potential. I can see a fairer, more thriving, growing city just over the horizon, a city where vacant buildings become vibrant homes, where we all have a chance at affordable housing, and where our neighborhoods aren't defined by blight but by the richness of community. What we need now are policies to match, solutions to unlock that potential, and tackle the root causes of vacancy and unaffordable housing.

One such solution might sound surprising: it's a smarter, fairer approach to property taxation. Right now, our property tax system unintentionally encourages the very problems we're facing. Under the status quo, if you renovate a crumbling house or build new apartments on a vacant lot, your property tax goes up, effectively punishing people for investing in our city. But if someone speculates on land, letting an empty lot gather trash or keeping a building vacant, hoping its value will rise, their tax bill stays relatively low, rewarding them for sitting idle. This is backwards. It's a system that discourages improvement and encourages speculation and blight.

I believe we can fix this by flipping that equation through a property tax shift. In plain terms, this means we tax the land itself at a higher rate and the buildings at a lower rate. If you improve your property, say, restore a vacant house or open a business, you wouldn't get hit with a huge tax increase for benefitting the community. Conversely, if you own a vacant lot or derelict building and just let it sit empty, you'd pay more taxes for monopolizing that land while others in the community suffer from the blight. It's a simple shift in incentives: stop taxing the growth we want to see (homes, renovations, development) and start properly taxing hindrances (speculation and vacant land). Under a tax shift, a landlord who fixes up a run-down building or fills an empty unit with tenants won't be penalized with a bigger tax bill, whereas a speculator who owns a weed-choked vacant lot in our city will finally feel a fire under their feet to either put that land to use or sell it to someone who will.

So, what would this change mean for Baltimore? Evidence from other cities and experts tells us that such a tax shift would likely:

- **Fight land speculation and blight.** When landowners can no longer afford to sit on empty properties, it becomes costly to hold land idle, and the incentive to speculate evaporates. We've seen this play out dramatically in places like Harrisburg, Pennsylvania. After adopting a land-focused tax, the number of vacant lots in Harrisburg dropped by 80%.
- **Spur the improvement of our housing stock and increase affordable housing.** By taxing land more and buildings less, we could unleash a wave of renovation and construction. Developers and homeowners alike have a strong incentive to build and fix structures

because those improvements won't jack up their tax bills. In other words, we stop punishing people for fixing up properties. Cities that have tried this see more building permits and development activity. For instance, Pittsburgh's shift to a higher land tax led to a 70% surge in new construction investments, while nearby cities that kept the old system saw construction slow. More construction means more housing supply, which, over time, helps ease housing costs for everyone. We can fill those vacant houses with families again, turn abandoned buildings into apartments and shops, and ensure more Maryland residents have a home they can afford.

- **Provide stable and fair revenue for public needs.** Unlike buildings (which can lose value or be abandoned), land retains value and can't be moved or hidden. That makes a tax shift a rock-solid source of funding for our city services. We'll have a steadier tax base to fund schools, sanitation, and public safety, without driving away development. In fact, when Harrisburg revitalized its city with a land-based tax system, it didn't go broke; it benefited from higher tax revenues as vacant properties became productive again. In short, we'd be funding Maryland's future growth in a more reliable and equitable way. Those who own valuable land (often wealthier interests) pay their fair share for the public investments that make that land valuable, while ordinary homeowners and businesses get a break on improvements to their properties.

If this tax shift is such a win-win, you might ask, "Why isn't Baltimore City doing this already?" Believe it or not, under current Maryland law, every other municipality in Maryland except Baltimore already has the power to set different tax rates for land and buildings. Towns and cities across our state can do this if they choose, but Baltimore City and Maryland's county governments cannot. It's an old legal barrier that has left Baltimore unfairly shackled, unable to use a tool that could help us fight vacancy and spur development.

The good news is we have a chance to remove this barrier. Senate Bill 457(HB0078), championed by Delegate Vaughn Stewart, would give all Maryland counties (including Baltimore City) the same freedom that other towns already enjoy. SB 457 would authorize the Mayor and City Council of Baltimore to implement a tax shift or split-rate system if the city decides it's right for us. This bill doesn't mandate a new tax; it simply empowers Baltimore with a new option.

With SB 457 passed, Baltimore's leaders and community stakeholders could openly debate and design a tax system that fits our city's needs, a system that stops fueling speculation and starts fueling renewal. We could tailor the rates to ensure the shift is gradual and fair. In short, we'd finally have the power to align our tax policy with our vision for a thriving, fair city.

As a resident, I'm asking for that chance. I'm asking our state lawmakers to trust Baltimore with this opportunity to fix an outdated policy that's holding us back. SB 457 is a commonsense correction. It levels the playing field so that Baltimore is no longer the only city in Maryland denied a tool that could help turn vacant lots into community assets.

Imagine Baltimore five or ten years from now if we get this right. Picture families moving into new or rehabbed homes on blocks that once had boarded windows. Envision small businesses opening because someone finally developed that long-vacant corner lot. We can have a city where blight gives way to bustling neighborhoods, where everyone who cares about Baltimore, from long-time

residents to new investors, has a stake in building it up-- not just buying up land and waiting. We can raise the revenues we need for our schools and services in a way that further encourages growth.

Baltimore has always been a city of fighters and believers. We've faced adversity before, and we've risen to the occasion. The challenge of vacant properties and affordable housing is big, but it's not bigger than our spirit. With a smart policy like a tax shift, enabled by SB 457, we have a real shot at tackling the root problems: we can dissuade speculators, encourage builders, and ensure the prosperity we create is shared broadly through better services and stronger neighborhoods.

I urge our state delegates and senators: pass SB 457 and give Baltimore the freedom to help itself.

Thank you for your consideration, and let's work together to ensure Baltimore's best days are ahead of us, not behind us. Let's make the thriving, fair city we all believe in a reality.

SB457_MSEA_Johnson_FAV.pdf

Uploaded by: Sean Johnson

Position: FAV

SUPPORT
Property Taxes - Authority of Counties to Establish a Subclass and Set Separate Rates
for Land and Improvements to Land
Senate Bill 457

Senate Budget and Taxation Committee
February 18, 2026
1:00PM

Sean Johnson
Executive Director

The Maryland State Education Association supports Senate Bill 457, which would give counties greater authority to raise revenue to fund local priorities by allowing for separate real property tax rates for land or improvements to land.

MSEA represents 76,000 educators and school employees who work in Maryland's public schools and community colleges, teaching and supporting our almost 900,000 K-12 students so they can pursue their dreams. MSEA represents more than 40 local affiliates in every county across the state of Maryland, and our parent affiliate is the 3-million-member National Education Association (NEA).

Senate Bill 457 provides flexibility for counties to set property tax policies that work best for their communities. This enabling legislation gives local leaders another tool when crafting differentiated property tax rates that could yield additional dollars to meet local needs.

MSEA supports passage of an adequate, sustainable, predictable revenue stream that will adequately fund both the operating and construction costs of our public schools. A great public school for every child means our students have updated technology, small manageable classes, safe and modern schools, proper healthcare and nutrition, and have highly qualified and highly effective educators.

MSEA urges a favorable report on Senate Bill 457.

CLC Testimony SB 457 Property Taxes – Separate Rat

Uploaded by: Shana Roth-Gormley

Position: FAV



SB 457

Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land

Hearing before the Senate Budget & Taxation Committee
Feb. 18, 2026

POSITION: Favorable

Community Law Center (CLC) is a 501(c)(3) nonprofit organization, which is a legal partner to Maryland neighborhoods and nonprofits in pursuit of more just and vibrant communities. CLC provides direct legal representation to communities and nonprofits on issues like tax exemption and organizational governance, real estate, contracts, intellectual property, employment law, and more. We advocate on issues that impact our Maryland neighborhood and nonprofit clients, including nuisance and vacant properties.

CLC supports SB 457 to give local governments the ability to set real property tax rates based on land and improvements to land. This will allow jurisdictions like Baltimore City, with significant numbers of vacant properties, to incentivize property owners to address blight and vacancy, by rewarding the improvement of property rather than allowing empty lots to sit vacant. Holding vacant property owners accountable by acknowledging the underlying market value of the land they hold will result in a fairer property tax system. This can potentially reduce property taxes for residents, as property taxes are assessed based on the value of land and improvements separately, allowing for more precise and market aligned assessment overall.

CLC supports SB 457. Thank you for the opportunity to testify.

For the above reasons,
CLC urges a FAVORABLE VOTE ON SB 457.

Please contact Shana Roth-Gormley, Staff Attorney at Community Law Center, with any questions.
ShanaR@communitylaw.org | 410-366-0922

Zac_SB0457.pdf

Uploaded by: Zac Blanchard

Position: FAV

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"

MMHA - 2026 - SB 457 - land value taxation.pdf

Uploaded by: Aaron Greenfield

Position: UNF



Bill Title: Senate Bill 457, Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land

Committee: Senate Budget and Taxation Committee

Date: February 18, 2026

Position: Unfavorable

This testimony is offered on behalf of the Maryland Multi-Housing Association (MMHA). MMHA is a professional trade association established in 1996, whose members consist of owners and managers of more than 214,000 rental housing homes in over 1015 apartment communities. Our members house over 571,000 residents of the State of Maryland. MMHA also represents over 270 associate member companies who supply goods and services to the multi-housing industry.

Senate Bill 457 grants the Mayor and City Council of Baltimore City or the governing body of a county the authority to establish subclasses of real property consisting of land and improvements to land, and set separate real property tax rates for each subclass. The bill would allow counties to set different tax rates for land and improvements to land, which would apply uniformly throughout the taxing jurisdiction. The tax rates for land and improvements to land would not be required to be equal.

MMHA respectfully opposes Senate Bill 457 because shifting Maryland to a land value tax would create instability and increased costs for housing providers at a time when our region is already struggling with severe affordability and production challenges. Over one-third of Maryland households are cost-burdened, spending more than 30% of their income on housing, and more than half of Baltimore renter households face unaffordable housing costs, underscoring an urgent need to increase supply—not add new tax complexity that could deter investment.

A land value tax requires separate land and improvement assessments, introducing uncertainty in taxable value that complicates financing and long-term investment decisions for developers and owners. This is particularly problematic here, where housing production has lagged demand—Greater Baltimore built about 6,980 new units in 2024 yet needs over 8,000 annually to keep pace with growth—and median home values and rents continue to rise.¹ Rather than risk discouraging development through an untested tax structure, policymakers should prioritize proven strategies that remove barriers to housing production and keep costs down for residents and providers alike.

In light of these concerns, MMHA urges the Committee to carefully consider the potential consequences of implementing a Land Value Tax and to reject Senate Bill 457. Instead, MMHA recommends exploring alternative solutions that address the root causes of housing shortages and promote more efficient land use without creating unintended consequences.

¹ Housing Indicator Tool, <https://hit.housingand.org/jurisdictions/baltimore>



For these reasons, we respectfully request an unfavorable report on Senate Bill 457.

Aaron J. Greenfield, MMHA Director of Government Affairs, 410.446.1992

SB 457 2026 - Alex Bushel Opposition Written Testi

Uploaded by: Alexander Bushel

Position: UNF

LAW OFFICES OF
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February 18, 2026

ALEXANDER H. BUSHEL
DIRECT DIAL: (667) 206-2042
ABUSHEL@ABRBUS.COM

IN OPPOSITION TO SB 457

Budget and Taxation Committee
Maryland Senate
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: Seante Bill 457 - An Act concerning Property Taxes – Authority of Counties to Establish Subclasses and Set Separate Rate for Land and Improvements to Land

Dear Members of the Committee:

I am writing to express opposition to Senate Bill 457, which proposes allowing separate property tax rates on the “land” and “improvement” components of real property assessments. While I understand the intent is to promote efficient land use or development, I believe this approach will prove to be too difficult to administer, more expensive than advocates anticipate, throw many well-established aspects of our property tax system into chaos, and will not produce the positives hoped for.

Professional Background

My name is Alexander H. Bushel. I practice in law Baltimore, Maryland at Abramoff Bushel LLC. Our firm’s practice consists almost entirely of real property tax assessment appeals. I have been a member of the Maryland Bar since 2009 and the Kentucky Bar since 2008. I have served on the Maryland State Bar Association’s Tax Section Council. My focus has been in this area of the law since 2010.

In our practice, we represent taxpayers from every county and Baltimore City. We represent the owners of houses, office buildings, shopping centers, golf courses, nursing homes, hotels, marinas, mines, apartments, warehouses, factories, hospitals, farms, etc. This representation includes assessment appeals, property tax exemptions and credits, and any other ancillary property tax issues.

The “Land Tax” of SB 457 Has Theoretical Appeal, but Reality and Practical Considerations Would Create Complexity and Inequity in Our Property Tax System

The distinction between land and improvement values on Maryland property tax assessments is largely artificial. These figures on your assessment notices are merely allocations derived from the total assessed value of a property. When an assessment is appealed, the petitioner must prove that the total value is different from the appealed assessment.

Much of the time, there is woefully deficient evidence on which to base such exact determinations (i.e., the values attributable to land and to improvements). For commercial properties that are most accurately valued based on the income they produce, attempting to back into allocations between land and improvements is dependent on a host of hard to measure variables that essentially guarantees inaccuracy and more administrative burdens for SDAT.

The wild inaccuracy these allocations will inevitably result in is a reason that historically (i.e., in Pittsburgh) these bifurcated tax rates end up being scrapped.

SDAT’s Budget Note should not be taken lightly – Maryland has a State Assessment System and SDAT needs to be prepared for any Possibility Statewide.

Maryland, uniquely, has a statewide assessment regime administered by the Department of Assessments and Taxation (SDAT). This uniform system is a strength and one of the few bright spots in Maryland’s tax landscape as it compares to sister states.

SDAT has a statewide database and software system for assessing. The system handles everything from the calculation of values to the issuance of notices. As detailed in SDAT’s Budget Note, many changes would need to be made to these systems if this legislation is adopted. SDAT would have to be immediately prepared to produce these assessments (accurately) and perform certain calculations (i.e., phase-ins for both interests) in case any county adopts such a tax. SDAT would also suddenly be in the position where “land values” must be precise. SDAT will have to devote serious effort, *statewide*, to making the land and improvement assessment allocations uniform, correct, and defensible in the appeal process. Wholesale changes to SDAT’s systems will be required no matter how few, *if any*, jurisdictions adopt this.

SB 457 Will Create Unintended Chaos Throughout the State’s Property Tax Regime

The language of SB 457 may appear simple and only alter two existing sections of the Tax-Property Article, however, it radically changes many assumptions that underpin Maryland’s property tax regime.

As discussed, SDAT has heretofore only had to focus and defend the total assessment (or total value of a property). A total value can be more accurately determined than what the land and

improvements are worth separately. Under SB 457, however, SDAT will not only have a greatly expanded mandate (i.e., assessing not just one interest in a property, but two, effectively doubling its assessing workload), it will have to defend both assessments (land **and** improvements for each property) in the appeal process. This could inundate the agency with appeals, especially when valuing these interests separately in a split tax system is destined to sow confusion and resentment among taxpayers.

This Bill has not been thought through and will create plainly absurd results. For instance, when an assessment increases over the previous triennial assessment, the increase is phased-in in thirds over the course of the next triennial cycle, while decreases go into effect immediately.

These phased-in assessments are what the tax rate is applied to calculate the property tax. Under the current regime, a possible phase-in of a new assessment could be as follows:

| | Previous Triennial Assessment Year 2023 | New Triennial Assessment Year 2026 | Taxable Phase-In Year 2026 | Taxable Phase-In Year 2027 | Taxable Phase-In Year 2028 |
|---------------------|--|---|---|---|---|
| Land | \$300,000 | \$100,000 | N/A | N/A | N/A |
| Improvements | \$100,000 | \$600,000 | N/A | N/A | N/A |
| Total | \$400,000 | \$700,000 | \$500,000 | \$600,000 | \$700,000 |

Under SB 457, however, we would now get:

| | Previous Triennial Assessment Year 2023 | New Triennial Assessment Year 2026 | Taxable Phase-In Year 2026 | Taxable Phase-In Year 2027 | Taxable Phase-In Year 2028 |
|---------------------|--|---|---|---|---|
| Land | \$300,000 | \$100,000 | \$100,000 | \$100,000 | \$100,000 |
| Improvements | \$100,000 | \$600,000 | \$266,667 | \$433,333 | \$600,000 |
| Total | \$400,000 | \$700,000 | \$366,667 | \$533,333 | \$700,000 |

In effect, the “phase-in,” will actually *lower* taxable assessments (the tax base) due to the bifurcated system for this property. This is important because Maryland, uniquely, has a statewide property tax that must be applied uniformly. In this example, the property taxes collected by the State will go down versus under our current system. Moreover, due to the uniformity requirement of Article 15, bifurcated phase-ins will be needed statewide whether or not any jurisdictions adopt split rates.

Along these lines, it is also important to note that the change proposed in SB 457 will require a wholesale reworking of various property tax credits, including the Homestead Tax Credit, the

Enterprise Zone Tax Credit, and the Brownfields Tax Credit. SB 457 will sow chaos with these credits unless a massive reworking of Tax-Property Article is undertaken.

The Committee must contemplate such scenarios and their effects before unleashing this on the State.

SB 457 Is Not the Right Policy for the Problems Its Advocates Identify

Fundamentally, the premise underlying SB 457—that taxing land at a higher rate will encourage more “efficient” use—is flawed. Land valuation is often speculative and highly context-dependent. In many cases, land is difficult to value accurately, particularly in areas facing uncertain development prospects, zoning limitations, or environmental constraints. In practice, differential taxation of such values would likely distort fair taxation rather than promote efficiency.

Moreover, a “land tax” will not cure the problems its advocates identify. The Center for Land Economics’ report, *Vacant Land in Baltimore: The High Cost of Undervaluation*, cites the 2300 block of Whittier Avenue near Druid Hill Park, where seven of fifteen single-family lots are vacant and allegedly underassessed at \$1,000 each, as evidence that low land assessments encourage owners to hoard property. In reality, these lots are likely not even worth \$1,000, appear abandoned, and, I suspect in most cases, their owners are no longer living. From public records, it appears that no one has paid the \$23.60 annual tax bill (\$1,000 assessment x 2.36% tax rate) on any of these lots in any of the last three years. Nor has anyone attempted to redeem any of these properties at tax sale. There is no reason to believe that higher taxes will impel any change in these lots.

On the commercial side, prime lots in downtown Baltimore that remain undeveloped or used for parking are not being “hoarded” by “speculators” either. They remain undeveloped because there is no demand for them to be developed. The City has lost half its population. An entirely new “downtown” has been subsidized, by taxpayers, in Harbor East a few blocks away. Who is going to build a new office building when downtown vacancy is at historic highs and office rents have remained flat (in unadjusted dollars) since the late 1980s?

In other jurisdictions, the difficulty of accurate land valuations combined with perfectly “tuning” a land tax rate has not led to the desired results. More likely than optimal development results is a revolt by taxpayers from fluctuating tax bills that they do not understand.

Conclusions and Recommendation

Maryland’s property tax system functions most effectively when it sticks to raising revenue, while creating as little economic distortion as possible. SB 457 would undermine this simplicity and predictability while seeking theoretical economic results. For these reasons, I urge you to oppose this legislation.

Budget and Taxation Committee
February 18, 2026
Page 5 of 5

Thank you for considering my views.

Sincerely,

A handwritten signature in black ink, appearing to be 'A. Bushel', written in a cursive style.

Alexander H. Bushel

SB0457 -- Property Taxes - Authority of Counties t

Uploaded by: Brian Levine

Position: UNF



Senate Bill 457 -- *Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land*
Senate Budget and Taxation Committee
February 18, 2026
Oppose

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, opposes Senate Bill 457 -- *Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land*.

Senate Bill 457 authorizes counties to establish subclasses of real property consisting of land and improvements to land and set separate real property tax rates for each subclass.

The Montgomery County Chamber of Commerce is concerned that this bill would permit counties to increase taxes just one year after Maryland residents and businesses absorbed \$1.6 billion in new taxes and fees during the 2025 General Assembly session. Allowing further tax increases would raise operating costs across jurisdictions.

MCCC opposes any additional taxes or fees that increase costs for small businesses, hinder job growth, or slow economic activity. Businesses also depend on a stable and predictable tax structure. Frequent changes to the business climate make Maryland less competitive.

For these reasons, the Montgomery County Chamber of Commerce opposes Senate Bill 457 and respectfully requests an unfavorable report.

The Montgomery County Chamber of Commerce (MCCC), on behalf of its members, champions the growth of business opportunities, strategic infrastructure investments, and a strong workforce to position Metro Maryland as a premier regional, national, and global business location. Established in 1959, MCCC is an independent, non-profit membership organization.

*Brian Levine | Vice President of Government Affairs
Montgomery County Chamber of Commerce
51 Monroe Street | Suite 1800
Rockville, Maryland 20850
301-738-0015 | www.mcccmd.com*

SB 457_BOMA_UNF.pdf

Uploaded by: Bryson Popham

Position: UNF



2331 Rock Spring Road
Forest Hill, MD 21050
443.966.3855
info@bomabaltimore.org

February 16, 2026

The Honorable Guy Guzzone
Chairman, Senate Budget & Taxation Committee
3 West Miller Senate Office Bldg.
Annapolis, Maryland 21401

RE: Senate Bill 457 - *Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land* UNFAVORABLE

Dear Chairman Guzzone and Members of the Committee,

I am writing in my capacity as the Legislative Chairman of the Building Owners and Managers Association of Greater Baltimore (BOMA) to respectfully request an unfavorable report on Senate Bill 457.

BOMA represents owners and managers of all types of commercial property, comprising well over 100 million square feet of office space in Baltimore and Central Maryland.

Senate Bill 457 authorizes a county or Baltimore City to create additional subclasses of property consisting of land or improvements to land. We note that the language “improvements to the land” is separate from the “land” itself, and may allow any county or Baltimore City to further increase real estate tax rates on all real property by assessing a different, and potentially higher rate to each subclass. Such an additional tax burden is likely to be significant on commercial properties. This burden will be imposed at a time when the commercial real estate industry already confronts existential challenges, such as historic vacancy rates as our work places adjust to more remote workers. As evidence of the severe stress under which the industry operates today, several signature properties have been placed in receivership. Coupled with quite significant additional costs that will be related to the coming implementation of the Climate Solutions Now Act of 2022, this tax increase, with its sole focus on the commercial real estate industry in Maryland, will make a bad situation much worse.

Similar legislation has been introduced both this year (Senate Bill 224/House Bill 90) and in prior years. The General Assembly properly refused to advance such initiatives.

We’ve already learned from the Governor and other public officials that tax increases will not be considered in 2026 to address fiscal problems in the State. We have also learned that public officials recognize the need to rebuild our State economy with a greater reliance on private sector investment. Enactment of Senate Bill 457 may contradict this policy that has been expressed by your colleagues and other political leadership in the State. Therefore, we urge the Committee to give an unfavorable report on Senate Bill 457.

Very truly yours,

A handwritten signature in black ink, appearing to read "Tim O'Donald".

Tim O’Donald
Chair, BOMA Legislative Committee

cc: Bryson F. Popham, P.A.

SB 457 - Property Taxes - Subclasses and Separate

Uploaded by: Christa McGee

Position: UNF



Senate Bill 457 – Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land

Position: Oppose

Maryland REALTORS® opposes Senate Bill 457 as introduced. This legislation would allow counties and Baltimore City to impose different property tax rates on land and improvements.

Maryland REALTORS® supports housing production, but this enabling bill authorizes a major shift in local taxation with no clear evidence it will increase housing supply. Split rate taxation has produced mixed results elsewhere and has raised concerns about assessment accuracy and abrupt tax shifts, with some jurisdictions ultimately repealing the authorizing law.

The bill also does not require unimproved land to be taxed at a lower rate than improved land. Jurisdictions may use this authority to increase taxes on land rather than improvements, which could discourage redevelopment and raise carrying costs on land intensive properties and complex redevelopment sites, including farmland, gas stations, and environmentally complicated parcels.

Finally, tying tax liability to how land and improvements are separated will increase disputes over valuations, likely increasing appeals and requiring additional assessment resources.

Given Maryland's housing shortage, it is crucial to pursue housing tools with clearer, measurable results. Targeted tax abatement programs for new development can reduce upfront costs and help projects move to completion.

For these reasons, Maryland REALTORS® recommends an unfavorable report.

**For more information contact lisa.may@mdrealtor.org
or christa.mcgee@mdrealtor.org**

SB0457_UNF_MTC_Prop. Taxes - Auth. Counties Est. S

Uploaded by: Drew Vetter

Position: UNF



Senate Budget and Taxation Committee

February 18, 2026

Senate Bill 457 – *Property Taxes – Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land*

POSITION: OPPOSE

The Maryland Tech Council (MTC), with over 800 members, is the State's largest association of technology companies. Our vision is to propel Maryland to be the country's number one innovation economy for life sciences and technology. MTC brings the State's life sciences and technology communities into a single, united organization that empowers members to achieve their goals through advocacy, networking, and education. On behalf of MTC, we submit this letter of **opposition** for Senate Bill 457.

Senate Bill 457 would allow counties to divide property into two subclasses, land and improvements to land, and to set real property tax rates for each subclass. While this is introduced as a flexible way to increase tax revenue for individual counties, this would create significant uncertainty and added risk to employers.

Introducing variable tax rates interferes with the long-term planning, budgeting, and site selection of big companies, making Maryland a less desirable place than other states with more stable tax policies. For companies that operate large facilities and distribution centers, separating land and improvement values could result in higher and less predictable tax burdens, particularly in jurisdictions with high land values.

Increased complexity in complying with tax codes costs companies more to navigate and adhere to those codes, thus disincentivizing them from choosing Maryland over other states or from growing their existing companies in Maryland. For these reasons, we request an unfavorable report.

For more information call:

Andrew G. Vetter
J. Steven Wise
Danna L. Kauffman
Christine K. Krone
410-244-7000

MDCC_SB 457_Unfavorable.pdf

Uploaded by: Grason Wiggins

Position: UNF



Senate Bill 457

Position: Unfavorable

Committee: Budget and Tax

Date: February 18, 2026

Founded in 1968, the Maryland Chamber of Commerce (Maryland Chamber) is a statewide coalition of more than 7,000 members working to develop and promote strong public policy that ensures sustained economic growth and opportunity for all Marylanders.

By authorizing counties to establish separate subclasses of real property tax rates for land and improvements to land, Senate Bill 457 (SB 457) risks creating unintended, negative consequences related to development, housing construction, and economic growth in Maryland.

Predictable and transparent property taxes are critical for capital planning, site selection, and long-term investment. Allowing separate tax rates on land and improvements creates a **new layer of complexity and volatility** that makes it difficult for businesses to forecast costs or evaluate development opportunities. As a result, SB 457 risks the mitigation of new development opportunities at a time when Maryland is struggling with an affordable housing shortage and stagnant economic growth.

Additionally, SB 457 could disproportionately affect businesses that own land-intensive operations, such as manufacturing facilities, distribution centers, and commercial real estate. Pursuant to SB 457, local governments could set divergent property tax rates, leading to inequitable taxation across counties and placing Maryland businesses at a competitive disadvantage compared to states with simpler, more predictable property tax structures.

Maryland must work to become an attractive state for investment, expansion, and job creation, and it is imperative that sound tax policy maintain predictability. This approach represents a significant departure from Maryland's long-standing uniform property tax structure. To remain competitive and fiscally responsible, Maryland should preserve a stable property tax framework that supports predictable business investment, equitable tax burdens, and robust housing and commercial development across all jurisdictions. Enacting separate property tax rates for land and improvements at the county level threatens predictability, investment, and subsequent development, which would negatively impact Maryland's economic growth and job creation. **For these reasons, the Maryland Chamber respectfully opposes SB 457.**

MD SB457 Land Value Tax UNF.pdf

Uploaded by: Hugo Cantu

Position: UNF



Bill: **SB457 - Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land**

Committee: **Budget and Taxation**

Date: **February 18, 2026**

Position: **Unfavorable**

The Apartment and Office Building Association (AOBA) of Metropolitan Washington is a non-profit trade association representing the owners and managers of more than 23 million square feet of commercial office space and 167,000 multifamily units in Montgomery and Prince George's counties. AOBA submits the following testimony in opposition to Senate Bill 457.

SB 457 authorizes counties and Baltimore City to establish a split-rate tax system for subclasses of real property. Split-rate taxation allows local governments to charge land and buildings at different rates. Proponents of this tax scheme often call it this land value tax. The goal of a land value tax is to encourage the development of vacant or underutilized land. SB 457, however, is not strictly a land value tax because it also authorizes a higher rate for buildings than land. Meaning, SB457 has morphed from a land value tax to a property tax increase.

On the multifamily side, the evidence shows that split-rate taxation introduces instability, raises land costs, and risks worsening housing affordability. In Pennsylvania, for example, a 2017 study found that raising taxes on land while lowering taxes on buildings increases land value per acre.¹ Higher residential land values translate into higher housing development costs, rents, and sales prices. This is most acute in urban areas like Montgomery and Prince George's Counties where land already represents a large share of total project costs. Furthermore, there are already significant barriers to multifamily development in these counties that split-rate taxation is unlikely to address. These barriers include a challenging regulatory environment and other high taxes, such as rent control and fuel energy taxes, respectively.

On the commercial side, split-rate taxation is likely to result in higher taxes for office buildings as evidenced by the counties' support of Senate Bill 224, which allows counties to set a higher tax rate on the commercial office building subclass. Commercial properties are highly sensitive to increased

¹ <https://www.sciencedirect.com/science/article/abs/pii/S1051137716302868>

operating costs. Increasing property taxes results in reduced net operating income, lower property values, and increased financing risks. Given that commercial leases often pass through property taxes to tenants, these increases would also raise costs for businesses and further weaken the state's competitiveness with neighboring jurisdictions.

Lastly, this bill is unlikely to be *revenue neutral* because of the significant challenges assessing land and buildings. In November 2025, the Budget and Taxation Committee Baltimore City Property Tax Study concluded with estimates on the burden a transition from the current tax system to a land value taxation system. While the estimates stem from a Baltimore City specific bill from the 2025 legislative session, the State Department of Assessment and Taxation (SDAT) would be required to do a department wide overhaul.

These changes include changes to taxable portions of properties, recalculations of homestead credits, updating reports to separate land from improvements, and replacement of storage systems to accommodate the new data entries. The fiscal estimates for procuring new data storage, retraining of employees, and upgrading the maintenance & operations software would conservatively cost the Department upwards of \$35 million in upfront cost; about \$6 million in new annual cost. SB457 would exacerbate the budgetary constraints of the department.

Even with an overhaul of the Department, the very act of separating the value of the land from the improvements to that land will prove difficult and inaccurate. Since the land value tax will focus on the highest and best use of a given parcel of land, the department would need to do a parcel-by-parcel analysis of development limitations. These parcel-by-parcel analyses would be inaccurate, given the few current land sales available for market comparison. If this is executed inaccurately on a massive scale, the system would bear the full weight of the public's distrust and, in turn, hundreds of thousands of appeals.

For these reasons, AOBA urges an unfavorable report on Senate Bill 457. Please contact Hugo Cantu at hcantu@aoba-metro.org with any questions or concerns.

Differential Taxation Will Set Maryland's Economy Further Behind Virginia



Virginia relies on lighter regulations and lower property taxes to attract businesses, boosting economic growth. Maryland, however, is heavily regulated, creating an inhospitable business environment. **Here's why differential taxation could harm Maryland's economy:**

Maryland lags Virginia in business friendliness rankings and cost of doing business.

| Category | Maryland Rank | Virginia Rank |
|------------------------|---------------|---------------|
| State for Business | #32 | #4 |
| Business Friendliness | #37 | #7 |
| Cost of Doing Business | #46 | #31 |

Maryland's tax structure already ranks among the worst in the nation.

| Category | Maryland Rank | Virginia Rank |
|-------------------------|---------------|---------------|
| Overall Competitiveness | #46 | #30 |
| Corporate Taxes | #36 | #18 |
| Income Taxes | #47 | #36 |
| Property Taxes | #36 | #24 |

Maryland's higher tax rates put it at a competitive disadvantage to Virginia.

| Category | Maryland | Virginia |
|---------------------------|----------|----------|
| Corporate Income Tax Rate | 8.25% | 6% |
| Estate Tax | 16% | NONE |
| Inheritance Tax | 10% | NONE |
| Local Income Tax | 3.2% | NONE |

Maryland's commercial real estate is ailing, with vacancy rates well above the healthy 5-10% range.

| Locality | Vacancy Rate | Square Feet |
|------------------------|--------------|--------------|
| Baltimore City | 12.5% | 56.9 Million |
| Baltimore County | 13.6% | 40.7 Million |
| Frederick County | 9.8% | 9.9 Million |
| Howard County | 13.6% | 20.2 Million |
| Montgomery County | 18.6% | 74.7 Million |
| Prince George's County | 14% | 28.6 Million |

Property Tax Increases will hurt Maryland's Economic Competitiveness.

STATE OF THE OFFICE MARKET MONTGOMERY COUNTY, MD



APARTMENT AND OFFICE
BUILDINGS ASSOCIATION
OF METROPOLITAN
WASHINGTON

Down 78% from the
pre-pandemic high of **\$133.8M**



*7500 Old Georgetown Road
Bethesda*

Sold in 2016 for \$18.4M,
assessed in 2025 at \$7.3M



*962 Wayne Ave
Silver Spring*

Sold in 2018 at \$70M,
assessed in 2025 at **\$50.7M**



*1 Inventa Place
Silver Spring*

Assessed at \$84 million in 2025;
down from \$98 million in 2022



*8403 Colesville Road
Silver Spring*

Assessed at \$14.35M,
auctioned in 2025 **13% below**



*6110 Executive Blvd.
Rockville*

Auctioned In 2025 for \$17.9M,
22% below its **assessed value**



*11921 Rockville Pike
Rockville*

Brian Anleu, Vice President of Government Affairs, MD | banleu@aoba-metro.org | 240-381-0494

Hugo Cantu, Government Affairs Manager, MD | hcantu@aoba-metro.org | 240-701-1990

Testimony SB457 Property Tax Authority.pdf

Uploaded by: Kirk McCauley

Position: UNF



WMDA/CAR Service Station
and Automotive Repair Association

Chair: Guy Guzzone and Members of Budget and Taxation Committee

RE:SB 457 Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land

Position: Oppose

My name is Kirk McCauley, my employer is WMDA/CAR, we represent service stations, convenience stores, and repair facilities across the state as a non-profit trade group established in 1937.

SB457 would give counties and Baltimore City the authority to increase taxes on certain commercial and industrial property, Maryland is ranked 46 in business friendly states in 2025 CNBC Annual Ranking [Top States for Business in America 2025: The full rankings](#). Potentially large tax increases will only discourage investment and send more businesses to other states.

In 2025 HB 1178 Baltimore City - Property Taxes - Authority to Set Special Rates - was referred to interim study by Ways and Means. A virtual Stakeholders meeting mentioned the cost of \$35 million to implement in Baltimore city alone.

WMDA/CAR asks for a unfavorable vote on SB457

Any questions, contact to Kirk McCauley, 301-775-0221 or kmccauley@wmdacar.com

MBIA Letter of Opposition SB 457.pdf

Uploaded by: Lori Graf

Position: UNF

February 18, 2026

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: MBIA Letter of Opposition SB 457 Property Taxes - Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land

The Maryland Building Industry Association is submitting testimony in opposition to SB457. The proposed legislation would authorize the Mayor and City Council of Baltimore City and county governments to create subclasses of real property and impose separate tax rates on land and improvements.

While local tax flexibility is an important tool, this proposal introduces significant economic uncertainty, administrative complexity, and potential unintended consequences that could undermine housing production, redevelopment, and long-term investment. Real estate investment decisions are long-term. Developers, lenders, and property owners rely on stable and predictable tax structures when underwriting projects.

Allowing local governments to create new subclasses and adjust rates independently for land and improvements shifts tax burdens between property types, creating uncertainty that will be reflected in higher financing costs, more conservative lending, and delayed projects. There is also no oversight for counties to enforce such a policy.

This also could be a real impediment to housing production, if land is taxed at a higher rate than improvements, the stated goal may be to discourage speculation. Many housing projects require multi-year land assembly. Increased land carrying costs can make projects financially infeasible. Smaller builders and local developers may be disproportionately impacted and at a time when housing supply is constrained, increasing development risk runs counter to affordability goals.

The unintended consequences of this proposal and administrative costs may outweigh anticipated benefits. For these reasons we ask the committee for a un favorable report.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the Senate Budget and Taxation Committee

SB457_NFIB_unfav (2026).pdf

Uploaded by: Mike O'Halloran

Position: UNF



NFIB-Maryland – 60 West St., Suite 101 – Annapolis, MD 21401 – www.NFIB.com/Maryland

TO: Senate Budget & Taxation Committee
FROM: NFIB – Maryland
DATE: February 18, 2026

RE: **OPPOSE SENATE BILL 457** – Property Taxes – Authority of Counties to Establish Subclasses and Set Separate

Founded in 1943, NFIB is the voice of small business, advocating on behalf of America’s small and independent business owners, both in Washington, D.C., and in all 50 state capitals. With more than 250,000 members nationwide, and nearly 4,000 here in Maryland, we work to protect and promote the ability of our members to grow and operate their business.

On behalf of Maryland’s small businesses, NFIB-Maryland opposes Senate Bill 457 – legislation enabling Baltimore City and county governments to establish subclasses of real property consisting of land and improvements to land and to set a special property tax rate for those properties.

NFIB members are concerned counties and Baltimore City could use this authority and set tax rates on real properties that would a) considerably raise taxes on small businesses and b) discourage investment in those areas where these new tax rates are in effect.

While state specific data is not available for Maryland, 18% of small business owners said they had plans to make capital outlays in the latest [NFIB Small Business Economic Trends](#) survey. The same survey noted that 60% of small business owners reported making capital outlays in the last six months. Enacting HB78 would likely cause that percentage to go down for Maryland small businesses as they would have to recalculate their budgets because of higher property taxes.

Additionally, small business owners ranked “property taxes” 11th on the “Measures of Small Business Problem Importance” in the most recent [Problems & Priorities](#) report by NFIB. Property owners throughout Maryland [are seeing their taxes increase](#) in the wake of COVID-19. They need to see these rates steady otherwise a county-led increase will disincentivize critically needed investment in our state.

For these reasons **NFIB opposes SB457** and requests an unfavorable committee report.

SB 457 - Land Value Taxation - NAIOP - UNF - B&T -

Uploaded by: Tom Ballentine

Position: UNF



February 16, 2026

The Honorable, Guy Guzzone, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West
Annapolis, Maryland 21401

Unfavorable: SB 244 – Authority of Counties to Establish Separate Tax Rates for Land and Improvements

Dear Chair, Guzzone, and Committee Members:

The NAIOP Maryland Chapters represent approximately 700 companies involved in all aspects of commercial, industrial, and mixed-use real estate. On behalf of our member companies, I am writing in opposition to SB 244 which would authorize Baltimore City and the counties to convert to a Land Value Tax system. The rationale for our opposition is based on the following:

- Land Value Taxation would represent a major departure from Maryland’s current system of uniform property taxation that assesses real estate values based on comparable sales, replacement costs and cash flows replacing it with a “community valuation” intended to assess land values based on the potential highest and best use of the land.
- Land Value Tax supporters propose taxing land at 5x the rate of improvements to spur growth. This economic theory behind Land Value Taxation and the expected benefits fundamentally misunderstands the other, more influential factors that determine the value of development land and ultimately the feasibility of development projects.
- The General Assembly already authorized local governments to impose split, special tax rates on vacant and blighted land. SB 244 would extend authority to apply Land Value Taxation to occupied, well maintained properties.
- There is little evidence that Land Value Taxation was a controlling force in Pittsburgh’s renaissance or that it would be impactful enough to overcome market and regulatory conditions that influence development decisions in Baltimore.
- The Pittsburgh City Council repealed Land Value Taxation and replaced it with a uniform tax assessment system in 2001 after property tax bills skyrocketed and a public backlash resulted in more than 130,000 tax assessment appeals. There are few other examples to follow in the U.S. as Connecticut, Michigan and Washington D.C. have recently considered and rejected Land Value Taxation.
- The Literature and Pittsburgh contains numerous red flags about the complexity of implementation, the potential for significant tax increases for certain residential, commercial, and industrial land use types, over-assessment of land in low-income areas and other inequitable outcomes signaling that Land Value Taxation is not right for Maryland.

What is Land Value Taxation?

The concept of Land Value Taxation dates back to Henry George’s 1880 book *Progress and Poverty* that argued land value is not decided by the landowner but by the community.

A pure Land Value Tax imposes taxes only on the assessed value of the land while a Split-Rate property tax imposes a higher tax rate on the land value and a lower tax rate on buildings and other improvements. In the often cited Pittsburgh example, land was taxed at rate 5.7 times the rate applied to buildings.

Land Value Taxation also changes the way land value is measured. Typically, assessed value in a Land Value Taxation system is based on its highest and best use. For vacant or underimproved property the assessed value is determined by the land's unrealized maximum development potential assuming that all legal and physical development possibilities can be realized, regardless of current improvements, market, or financial considerations.

Advocates argue that Land Value Taxation encourages owners to develop or sell land rather than leaving it idle or underutilized because landowners pay a higher tax rate and are taxed on the land's full potential value, not just current use.

There are few examples of Land Value Taxation in U.S. cities making it difficult to set expectations based on successful implementation. Some Pennsylvania townships have applied variations, but Connecticut, Michigan and Washington D.C. have recently considered and rejected Land Value Taxation.

The most often cited example, Pittsburgh repealed Land Value Taxation and replaced it with a uniform tax rate and assessment system in 2001 after property tax bills skyrocketed and a public backlash resulted in more than 130,000 tax assessment appeals.

Pittsburgh's Renaissance and Land Value Taxation

The most notable application of Land Value Taxation was in Pittsburgh Pennsylvania where a citywide split-rate tax was adopted in 1913 in an attempt to break up the vast land holdings of industrialists Andrew Carnegie and Henry Clay Frick. In 1979, as the steel crisis deepened and the city's industrial base collapsed, Pittsburgh raised the land tax to 12.55%, more than five times the value of structures, which were taxed at 2.475%.

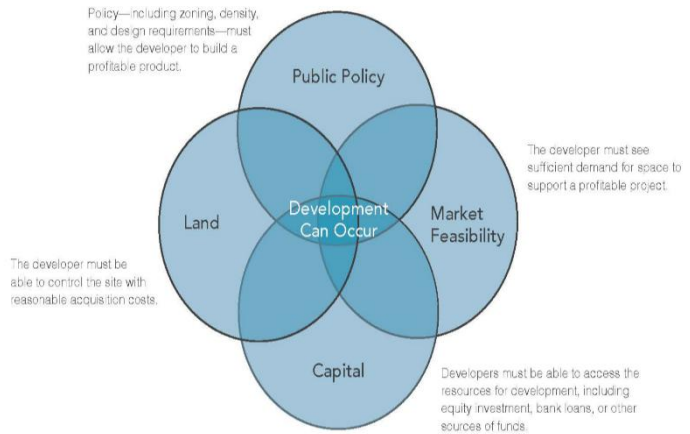
Advocates point to Pittsburgh as evidence that Land Value Taxation can work, but the benefits from Land Value Taxation in Pittsburgh are hard to isolate. Implementation of Land Value Taxation in Pittsburgh coincided with major economic development initiatives, capital projects and increased demand for commercial and residential construction driven by the transformation of the regional economy from steel and manufacturing to education, banking, technology, and healthcare.

Between 1979 and 1983 Pittsburgh lost more than 100,000 steel related jobs as mills closed. By the late 1980s the regional economy pivoted away from industrial and manufacturing toward education, banking, technology, and healthcare. The city implemented an economic development strategy which included improved suburban access via the Fort Pitt Bridge Tunnel, completion of light rail, and a downtown convention center. Carnegie Mellon became a national leader in robotics, and the University of Pittsburgh expanded biomedical research. The Allegheny Conference on Community Development attracted corporate headquarters from Westinghouse, Alcoa, USX, and PPG industries. Federal research dollars spurred tech spinoffs from Carnegie Mellon and University of Pittsburgh. As the share of manufacturing dropped, and the service sector expanded, demand for new office space and downtown housing was generated. But even with these dramatic shifts in Pittsburgh's economy, population continued to decline from about 423,938 in 1980 to approximately 334,563 in 2000.

In 2001 property tax reassessments resulted in massive tax hikes: land values rose 81%, while buildings increased by 43%. The public loss of confidence in the assessment process resulted in 130,000 tax assessment appeals. By way of comparison the Maryland Property Tax Assessment Appeals Board received just over 7,600 appeals in 2022. The resulting reassessment crisis transformed the land value tax from an academic policy innovation into a political flashpoint—ultimately leading to its repeal. Faced with a public tax backlash, the Pittsburgh City Council repealed the Land Value Taxation, replacing it with a uniform property assessment and taxation system.

Land Value Taxation Underestimates Other Factors Affecting Land Value and Development Feasibility

Advocates argue Land Value Taxation is potentially better able to encourage economic development than uniform tax rates because higher land taxes pressure or incentivize property owners to enter the market and develop land more intensely rather than hold it for future use. We believe these theories underweight other factors that determine development feasibility and the value of commercial real estate, setting unrealistic expectations for policy results.

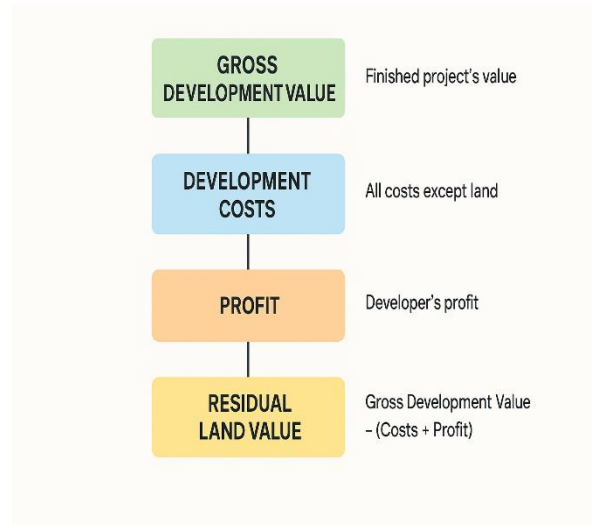


Commercial real estate is valued based on the return on investment after factoring the cost of capital, rental income, operating costs and regulatory considerations like development fees, zoning and required infrastructure upgrades. Land Value Taxation typically values land based on its highest and best use assuming all legal and physical development possibilities can be achieved, regardless of current improvements.

The approach to valuation in Land Value Taxation is at odds with real estate finance practice where the value of land and the feasibility of a development project is often determined by the results of a Residual Land Value Analysis. Residual land value is a measure of what a developer would be able to pay for the land, given a set of assumptions about capital, construction and operating costs and project revenue.

A higher residual land value means that a proposed development project is likely to be more feasible. As unavoidable costs increase or revenues decrease, the residual land value decreases. A negative residual land value — where the land is worth less than \$0 — indicates that a proposed development project is not feasible.

Residual land value represents the real-time development value of land. While Land Value Taxation assesses land value based on a future highest and best use that may or may not be attainable. Higher rates of taxation on the land will not necessarily change the factors that determine development feasibility.



History Shows Wide Variations Between Assessed Values and Sales Prices

Under Pittsburgh’s Land Value Taxation system, wide variations between assessed values and observed sales prices were common. Erratic assessments created distrust in the system because homeowners with comparable homes paid vastly different property taxes.

Properties in low-income neighborhoods were more frequently over-assessed. Land value represents a higher percentage of the total property value of many low-priced properties because the improvements are smaller or older. In these cases, over-assessment of the land value unfairly increased the property tax burden of low-income homeowners who paid taxes based on assessed values that were not supported by market conditions.

This points out how difficult it can be to accurately assess land value, especially where sales of vacant land are rare and market conditions are weak. The premium that Land Value Taxation puts on assessing taxes based on the highest and best use puts more upward pressure on land assessments compared to a uniform approach based on comparable sales or current cash flows.

Developing estimates of value for a Land Value Taxation system would require parcel level analysis of development limitations and assumptions about development potential that would need to be accurate enough to withstand appeals and frequently updated. From our point of view, this is not a realistic expectation.

Land Value Taxation Would Trigger Unsustainable Tax Increases in Some Neighborhoods and Land Uses

Taxing land at significantly higher rates than the value of buildings is designed to put financial pressure on owners of vacant lots but will also pressure existing uses where the land value represents a substantial percentage of total property value. It will also likely increase taxes in commercial districts and residential neighborhoods where current land values are high.

For example, Land Value Taxation theory might suggest the highest and best use of waterfront property is high rise condominiums. This approach is at odds with Baltimore’s efforts to maintain the port dependent land uses, warehouse and logistics facilities near the harbor that are vital to the state and regional economy. A study of tax impacts conducted in support of the failed Detroit Land Value Taxation proposal, forecasted that real estate taxes on Engineering / R&D uses would increase by 24.6%, Warehouse 28%, Logistics 29.3%, Low Rise Office 74.6% Marine 84.5%, Railroad by 85.9%, and Materials Storage by 186.2%.

The literature and Pittsburgh’s experience suggest that residential neighborhoods with high land values could experience significant increases in real estate taxes under multiple scenarios. The table below applies three scenarios to an existing single-family house in North Baltimore. The table summarizes the results of three proposed Land Value Taxation scenarios that could increase real estate taxes for the subject property by 60% to 186%.

| Real City House Tax Scenarios | Assessed Value | Current Uniform Tax, Land and Improvements Taxed at 2.24% | Advocates’ 9.1% Land Tax, Improvement Tax 0% | Split Rate 7.1% Land Tax, Improvement Tax 2.24% | Pittsburgh 5.7x (12.7%) Land Tax, Improvement Tax 2.24% |
|-------------------------------|----------------|---|--|---|---|
| Land Value | \$202,500 | \$4,536 | \$18,427 | \$14,377 | \$25,171 |
| Improvement Value | \$291,600 | \$6,531 | \$0 | \$6,531 | \$6,531 |
| Total Valuation / Tax | \$494,100 | \$11,067 | \$18,427 | \$20,908 | \$31,702 |

Sharp increases in real estate taxes in residential areas would certainly cause a meaningful number of high-income households to move out of the city. This raises concerns on multiple levels including putting further downward pressure on Baltimore’s income tax revenues which are already much lower than other large jurisdictions.

Sincerely,



Tom Ballentine, Vice President for Policy
 NAIOP – Maryland Chapters, *The Association for Commercial Real Estate*

cc: Senate Budget and Taxation Committee Members
 Nick Manis – Manis, Canning Assoc.