

Legislation: HB0078

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

Position: **Favorable**



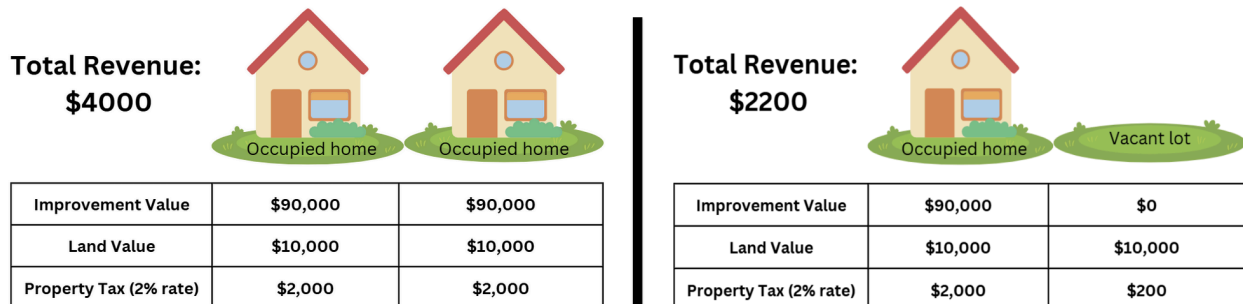
Members of the House Ways and Means Committee,

As a group, BaltPOP wants local governments to have more tools at their disposal to achieve their goals. HB0078 does exactly that for Baltimore City and Maryland's counties. BaltPOP strongly supports more jurisdictions having the ability to enact a land-value tax shift in order to discourage land speculation and encourage the productive use of land, which would be a part of the power vested in this bill.

The intent of this bill is simple - to incentivize property owners to make productive use of their properties or to sell them to someone who will. The owner of an underutilized property with very low carrying cost has no tangible incentive to unload that property, so they figure they might as well hold onto it - just in case. Meanwhile, the city/county and surrounding community suffers.

A land value tax shift is a modification of the existing real property tax (which is actually two taxes: one on the land, one on the improvements). As it currently stands, all of Maryland's counties and Baltimore City are required to levy the same tax rate on these two subclasses of real property. This does not incentivize the productive use of urban and suburban land. (Below, and figures 1 and 2)

Current Property Tax System

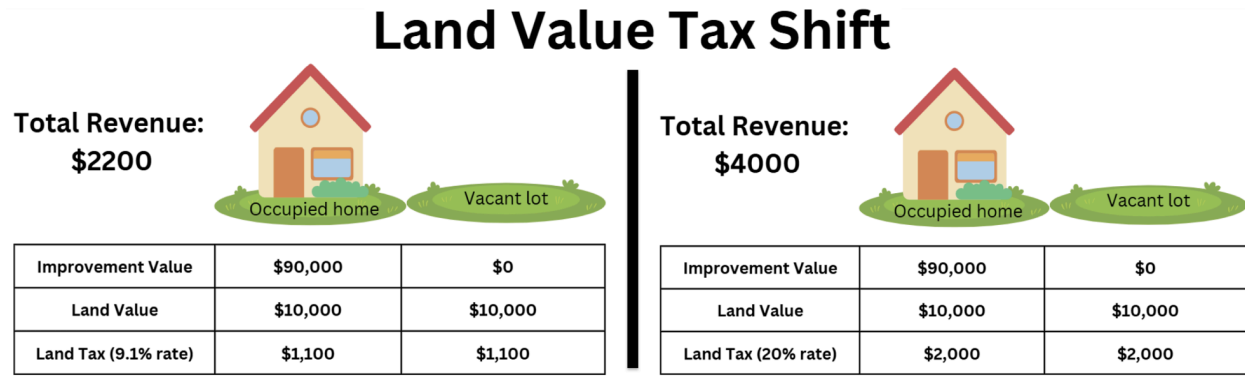


Under the current tax system, the owner of the vacant lot pays \$1,800 less in taxes than the homeowner.

This bill would provide to Maryland's counties and Baltimore City the power to levy different rates on each subclass, ideally shifting more of the burden of taxation from the improvements

(buildings) on a piece of property and, instead, onto the land itself. **This is the same power that smaller municipalities in the state already have.**

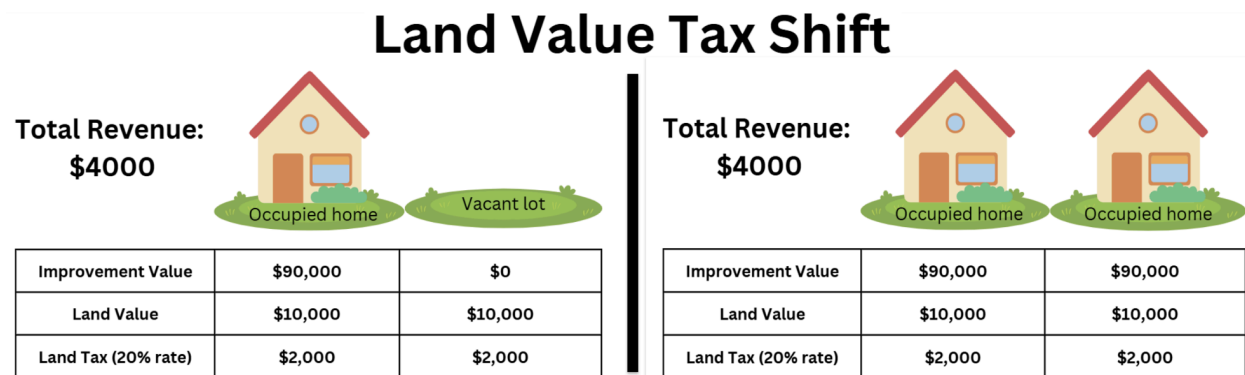
The benefit of this change is overwhelmingly received by those who are invested and embedded in our community. Those who maintain homes and businesses win while land speculators lose out. (Below, and figures 3 and 4)



Under a 9.1% Land Value Tax instead of the current 2% Property Tax, the city receives the **same** \$2,200 in total revenue even though the homeowner realizes a \$900 **tax break**. Under a 20% Land Value Tax, the city receives \$1,800 **more** in total revenue even though the homeowner's tax remains the **same**.

This stands in contrast to tax incentives which often only benefit new development while leaving long-standing residents out in the cold.

Further, this taxation structure encourages construction/renovation of housing on vacant land or plots with vacant homes on them. This is because improvements would be taxed less, or maybe not at all (Below, and figures 4 and 5).



Under a Land Value Tax, a newly-built home does not incur **any additional tax** than the previous vacant lot.

This 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.

As written, this bill would grant Baltimore City and Maryland’s counties broad authority to set special rates on all classes of property. This would allow the city and the counties to lower their current overall property tax rate, and then make up for the lost revenue with a higher tax rate on land only.

We hope the committee finds these points helpful and convincing and we urge its members to **vote in favor of HB0078**. Thank you for your efforts and the opportunity for us to testify on this legislation.

[BaltPOP - Baltimoreans for People-Oriented Places](#)

Current Property Tax System

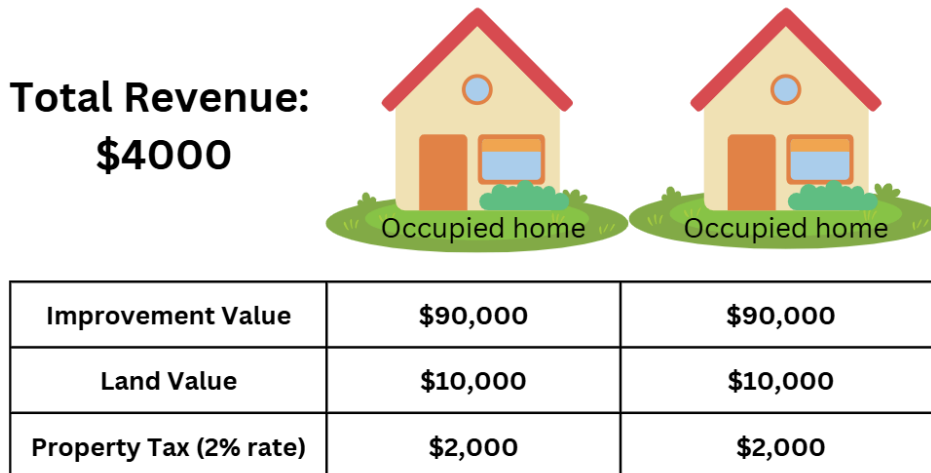
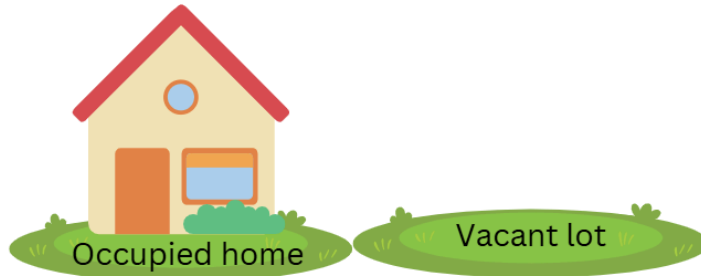


Figure 1: Revenue collection for two occupied homes under the current property tax system

Current Property Tax System

Total Revenue:
\$2200

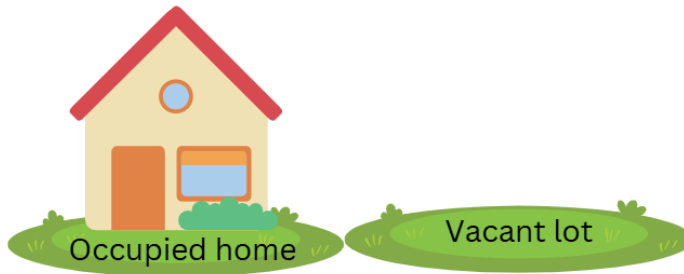


Improvement Value	\$90,000	\$0
Land Value	\$10,000	\$10,000
Property Tax (2% rate)	\$2,000	\$200

Figure 2: Revenue collection for an occupied and vacant home under the current property tax system. The owner of the vacant lot pays \$1,800 less in taxes than the homeowner.

Land Value Tax Shift

Total Revenue:
\$2200



Improvement Value	\$90,000	\$0
Land Value	\$10,000	\$10,000
Land Tax (9.1% rate)	\$1,100	\$1,100

Figure 3: Occupied home and vacant home under the Land Value Tax shift. Note the 9.1% Land Value Tax instead of the original 2% Property Tax. The city receives the **same** \$2,200 in total revenue even though the homeowner realizes a \$900 **tax break**.

Land Value Tax Shift



Improvement Value	\$90,000	\$0
Land Value	\$10,000	\$10,000
Land Tax (20% rate)	\$2,000	\$2,000

Figure 4: Occupied home and vacant home under the Land Value Tax shift with revenue matching existing property tax system. Note the 20% Land Tax instead of the original 2% Property Tax. The city receives \$1,800 **more** in total revenue even though the homeowner pays the **same** in taxes as before.

Land Value Tax Shift



Improvement Value	\$90,000	\$90,000
Land Value	\$10,000	\$10,000
Land Tax (20% rate)	\$2,000	\$2,000

Figure 5: Revenue collection of two occupied homes under the land value tax shift. Note how under a 20% Land Tax structure, the newly-built home on the right does not incur any additional tax than the previous vacant lot.