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IN OPPOSITION TO HB 78

Ways and Means Committee
Maryland House of Delegates
House Office Building, Room 130
Annapolis, Maryland 21401

RE: House Bill 78 - 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 my opposition to House Bill 78, which proposes allowing separate property tax rates on the “land” and “improvement” components of real property assessments. While I understand the intent may be to promote efficient land use or development, I believe this approach is misguided and built upon fundamentally flawed premises.

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 Bill Violates the Requirement in State Constitution that Assessments and Taxation Must be Uniform

House Bill 78 purports to create two “subclasses” of real property, land and improvements, on which the counties can set different tax rates for. Maryland’s Constitution (Article 15 of the Declaration of Rights) requires that property assessments *and* taxation must be “uniform” within each class or subclass of property. In recent decades pursuant to Tax-Property Article, § 8-101, Maryland has had only two classifications of property: real and personal. Subclasses of real property include agricultural property, marshland, woodland, certain low-income housing, utility property, etc. Because HB 78 only creates subclasses for taxation, and not assessment, it violates Article 15’s guarantee of uniform taxation *and* assessment.

HB 78 Will Create Unnecessary 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 are merely allocations derived from the total assessed value of a property. When a taxpayer or political subdivision appeals an assessment, they must prove that the total value is different from the appealed assessment. There is no scientific or consistent basis for how land and improvement values are separated; rather, the division persists as a vestige of older property tax practices. 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 administration in the way assessment appeals as taxpayers and jurisdictions will begin complaining to SDAT not just about values, but these allocations as well. Using these arbitrary allocations as the foundation for assessing different tax rates introduces unnecessary complexity and inequity into the property tax system.

HB 78 Will Create Unintended Chaos Throughout the State’s Property Tax Regime

It is also important to note that the change proposed in HB 78 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. HB 78 will sow chaos with these credits unless a massive reworking of Tax-Property Article is undertaken.

The Underlying Premise of the Bill is Deeply Flawed and Will Not Cure Identified Problems

Fundamentally, the premise underlying HB 78—that taxing land at a higher rate will encourage more “efficient” use—is deeply flawed. Land valuation itself 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. 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 alive. 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. If owners will not pay \$23.60 in property tax a year, there is no reason to think they would pay more to hold on to the properties. What impedes redevelopment of these lots in Baltimore City and others across the State is not the absence of a “land tax,” but deeper structural problems.

Conclusions and Recommendation

Maryland’s property tax system functions most effectively when it applies uniform rates to the total value of real property—land and improvements together as one. HB 78 would undermine this simplicity and predictability while producing dubious economic results. For these reasons, I urge you to oppose this legislation.

Thank you for considering my views.

Sincerely,



Alexander H. Bushel