

VAUGHN STEWART  
Legislative District 19  
Montgomery County

CHIEF DEPUTY MAJORITY WHIP

Government, Labor, and Elections  
Committee

Vice Chair  
Democratic Caucus



The Maryland House of Delegates  
6 Bladen Street, Room 151  
Annapolis, Maryland 21401  
410-841-3528  
800-492-7122 Ext. 3528  
Vaughn.Stewart@house.maryland.gov

## THE MARYLAND HOUSE OF DELEGATES ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB 078

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

Testimony by Delegate Vaughn Stewart

January 27th, 2026 | Ways and Means Committee

---

### Overview of the Bill

HB 078 would give Maryland counties greater flexibility in how they structure local property taxes. Under current law, counties apply a single tax rate to both the value of land and the value of buildings or other improvements on that land. This bill would authorize counties to adopt what is commonly known as a “split-rate” system, under which land and improvements are taxed at different rates.

This approach allows local governments to better align tax policy with local economic and housing goals. For example, a county seeking to encourage housing production or commercial revitalization could lower the tax rate on improvements while increasing the rate on land. Conversely, a county facing infrastructure strain or rapid growth pressures could adjust rates in the opposite direction. Importantly, HB 078 does not mandate any particular tax structure; it simply creates a local option.

Counties would retain full discretion over whether to adopt a split-rate system, how to structure it, and how quickly to phase it in. This flexibility ensures that the policy can be tailored to each jurisdiction’s fiscal capacity, development patterns, and community priorities.

---

### Why This Matters

A split-rate structure taxes land separately from buildings or other improvements—typically at a higher rate on land and a lower rate on improvements. This creates stronger incentives for productive land use. Owners of vacant or underused parcels are

encouraged to develop, improve, or sell their land, while owners who reinvest in existing properties are not penalized with sharply higher tax bills.

Under the current system, when a business renovates a storefront, expands a warehouse, or modernizes a facility, its tax bill often rises simply because the building is now worth more. That discourages reinvestment. A split-rate system reduces that disincentive by taxing improvements less heavily, making redevelopment and modernization more financially viable. Over time, this can strengthen the commercial tax base and support job creation.

The same logic applies to housing. By reducing the tax penalty on construction and rehabilitation, split-rate taxation can help make infill development and redevelopment more attractive, particularly in areas with large numbers of vacant or underused parcels.

There is also a fairness dimension. Maryland's State Department of Assessments and Taxation (SDAT) separately assesses land and improvements, but vacant land is frequently undervalued relative to its market potential, as reflected in sales data. This can result in unusually low tax bills for properties that remain idle for long periods, allowing land to be held cheaply while contributing little to neighborhood vitality or the public good. A higher tax rate on land—paired with a lower rate on improvements—better aligns tax liability with the social costs of leaving land unused.

---

## **Evidence from Other Jurisdictions**

HB 078 reflects policies that have been tested in other jurisdictions with positive results. Pittsburgh, Pennsylvania, long used a split-rate system that helped stimulate redevelopment in its downtown and surrounding neighborhoods during a period when many other Rust Belt cities were experiencing deep decline. Harrisburg, Pennsylvania used a land value-focused tax approach to help stabilize and recover after severe flooding. Cities such as San Francisco have used land-based taxation strategies in post-disaster recovery contexts to encourage rapid rebuilding.

Internationally, jurisdictions including Copenhagen, Denmark have incorporated land-focused taxation principles to support dense, transit-oriented development and more efficient land use. More recently, Detroit, Michigan and the Commonwealth of Virginia have explored or advanced split-rate legislation as a tool to promote redevelopment in historically underinvested communities.

These examples demonstrate that taxing land more heavily than buildings can be an effective way to encourage productive use of scarce urban land without discouraging investment.

---

### **Why the Committee Should Vote Favorably**

HB 078 is a pro-growth, pro-housing, and pro-local-control measure. It rewards building and reinvestment rather than penalizing it, while giving counties the flexibility to design and phase in a system that fits their specific needs.

By encouraging efficient land use, supporting redevelopment, and strengthening local tax bases over time, this bill offers a pragmatic tool to address some of Maryland's most pressing challenges—housing affordability, commercial disinvestment, and fiscal sustainability.

HB 078 does not impose a one-size-fits-all solution. It simply gives counties an additional option in their policy toolkit and trusts local governments to use it responsibly.

I respectfully urge a favorable report and ask the Committee to help unlock the potential of underused land across Maryland's cities and towns—so we can build stronger communities where residents and businesses alike can thrive.