SPONSOR TESTIMONY
HB 90 - Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property

The Honorable Jheanelle K. Wilkins, Chair
Ways and Means Committee
Maryland House of Delegates
6 Bladen Street, Room 130
Annapolis, MD 21401

Chair Wilkins, Vice-Chair Feldmark, and Esteemed Members of the Ways and Means Committee:

House Bill 90 enables Maryland's local jurisdictions to address their unique revenue challenges and opportunities through localized decision-making. This bill realizes our state's commitment to fostering economically and socially thriving communities by empowering local jurisdictions to make nuanced decisions about revenues to pay for essential education and transportation projects. To accomplish this, HB 90 modernizes local jurisdictions' revenue systems by giving them discretion to be more responsive to the complexities of their economies.

Smarter Revenue Streams through Local Empowerment and Flexibility

HB 90 grants local jurisdictions the authority to create differential tax rates on specific State Department of Assessment and Taxation (SDAT)-identified subclasses of commercial real property. It allows local jurisdictions greater flexibility to identify and address imbalances within their existing revenue structure between the commercial property classes identified in the bill. If a jurisdiction decides to set a differential rate, it must direct the funds toward local transportation or education projects. Inspired by decades of advocacy and informed by thorough analysis from Ways and Means committee staffers, this bill harnesses local governments' up-close knowledge of their communities, enabling them to better fund and execute transportation and education projects in their jurisdictions—enhancing Marylander's overall quality of life and economic competitiveness.

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

Under HB 90, local jurisdictions can choose to implement a tailored differential commercial property tax rate, strengthening budgetary outlooks in the ways that work for their economies and without burdening residential properties. Critically, this bill does not create a mandate for local jurisdictions—they are free to implement this, or not, depending on what makes the most sense for their communities. Rather, this legislation creates flexibility for jurisdictions to fund two critical needs: transportation and education. Considering the increasing costs of these two primary government functions, this bill expands the tools at the jurisdictions' disposal to ensure that our commitments to world-class education and equitable transportation access do not come at the expense of public safety, health, and infrastructure.

Guardrails Lead to Better Outcomes

The authority granted to local jurisdictions under HB 90 comes with stringent guardrails to ensure reasonable and responsible implementation. Unlike municipalities' broad discretion to levy property taxes, jurisdictions impacted by this bill will have clearly defined, limited authority to raise commercial tax rates: the maximum rate that can be set is 12.5%, any new rates can only be applied using two methodologies (either county-wide, or through a special taxing district), and all funding is specifically directed either to education or transportation projects depending on the methodology for raising the tax. This ensures accountability and aligns the use of revenues with the jurisdictions' and the state's broader policy objectives.

In conclusion, House Bill 90 represents a pragmatic and flexible approach to addressing our jurisdictions' financial challenges. It empowers local governments to proactively fund transportation and education projects with guardrails to ensure accountability and alignment with state-wide priorities. I urge you to support this bill, recognizing its potential to enhance the quality of services delivered by governments in Maryland.

I respectfully request a favorable report.

Thank you,

Delegate Kris Fair
District 3, Frederick County