



**Testimony **Supplement** in Favor of  
HOUSE BILL 78:**

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

**Ways and Means Committee**

**Rebuttal of Opposing Arguments  
February 3, 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.

On January 27<sup>th</sup>, I testified in **support** of **House Bill 78**, introduced by Delegate Vaughn Stewart. 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. **If only for fairness and parity, House Bill 78 should be enacted into law.**

### **REBUTTAL TO TESTIMONY OPPOSING HB 78:**

Although many witnesses, including the Maryland Association of Counties, testified in favor of HB 78, several witnesses testified in opposition. Below is a list of the primary objections raised and my rebuttals.

- **Fiscal & Policy Note**

Although the Fiscal and Policy Note accompanying HB 78 should be objective, it raises several points that appear 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, **HB 78 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, HB 78 would have no fiscal impact on the State.**
  
3. HB 90 is similar legislation to HB 78. HB 90 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 HB 90 states that **HB 90 has no fiscal impact on the State.** In light of point #2 above and in light of the similarity between HB 90 and HB 78, **the accuracy of the Fiscal and Policy Note for HB 78 appears to be questionable.**

### **Potential Advantages & Disadvantages of Land Value Taxation**

The Fiscal Note assumes that jurisdictions might use HB 78 to tax building values at lower rates than land values. While HB 78 would allow this, **HB 78 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. **Discussions of potential advantages and disadvantages should occur at the local level if and when a local jurisdiction decides to take advantage of the opportunity created by HB 78.**

- **Opposition Testimony**

1. **Assessment breakouts between land value and improvement value are arbitrary and/or inaccurate.**

This may or may not be true. However, current law requires that SDAT assess land value and improvement value separately and accurately. HB 78 may draw attention to SDAT assessment issues, but these issues must be addressed and resolved under existing law regardless of whether HB 78 is enacted or not.

Baltimore Thrive and the Fair Assessment Coalition have recently issued a report highly critical of SDAT's assessment of land values in Baltimore. SDAT has reviewed the report and concluded that assessment improvements are needed. SDAT is working with these groups, within its existing budget, to improve land assessments as required by existing law.

**2. It's not possible to accurately differentiate between land value and improvement value.**

This claim isn't true. Assessment software has become very sophisticated, including multiple regression analysis to determine how much different property components contribute to overall value.

More importantly, average people do this every time that they shop for a new home to rent or buy. Most consumers have certain style, size and condition requirements for their new home. Typically, there are many homes in a jurisdiction that are almost identical in terms of these physical criteria. Yet, these nearly identical homes will rent or sell for prices that are considerably different, based upon the characteristics of their neighborhood. Thus consumers will pay more or less for nearly identical homes based on the characteristics of the neighborhood. In this way, consumers are valuing "location" which is the essence of land value in an urban market.

**3. HB 78 will increase assessment appeals.**

SDAT is required by existing law to create accurate and fair assessments based upon market value. HB 78 has no impact on this. If jurisdictions take advantage of HB 78 by taxing land values and building values at separate rates, this might draw attention to SDAT assessment issues. But the underlying requirement for accurate and fair assessments arises from existing law and not from HB 78.

**4. Counties could raise taxes instead of lowering them.**

Counties already have the authority to raise or lower taxes. HB 78 is not relevant in this regard.

Perhaps the opponent means that counties might increase the rates applied to building values instead of lowering them. As mentioned above, that is something to be debated if and when a jurisdiction proposes to do so. Any jurisdiction proposing to increase the tax rate applied to building values would meet strenuous objections from policy experts and economists such as myself as well as from residential and commercial property owners.

**5. HB 78 would create regulatory complexity**

Most economists know that it is simpler to assess land values than building values. Therefore, shifting the tax burden off of building values onto land values could result in simpler and more uniform taxation.

**6. Business vacancy rates are already too high**

The reform envisioned by the proponents of HB 78 would result in more development activity and lower rents. Lower rents would enhance business creation and retention – resulting in fewer commercial vacancies.

**7. HB 78 would make the development environment more volatile.**

In Pennsylvania, where state law allows cities and counties to tax land and building values at separate rates, the development environment is not considered volatile. And, when jurisdictions take advantage of this enabling legislation by reducing the tax rate applied to building values while increasing the rate applied to land values, **the universal result has been an increase in building permits** – both new construction and improvement of existing buildings.

**8. We should tax properties based upon cash flow, not upon “highest and best” use.**

Imagine two adjacent properties, identical in every way. Same lot size and zoning. Same buildings in terms of size, layout, age and condition. Property A is well managed and has a significant profit. Property B is poorly managed and has no profit. Each property is benefiting the same from public goods and services, so each property should pay the same property tax. To tax based upon cash flow simply transforms the property tax into an income tax that bears no relation to the public benefits that they receive.

**9. Reducing the tax rate applied to building values while increasing the rate applied to land values lumps the good property owners together with the bad ones.**

Property taxes do not distinguish between “good” property owners and “bad” ones. Currently, owners are penalized with higher taxes when they construct or improve buildings. Owners are rewarded with lower taxes when they allow buildings to deteriorate. Those who keep valuable land vacant pay much less than neighbors with buildings even though they benefit the same from existing public goods and services. We make no moral judgements about individual property owners. However, public policy as expressed by tax rates should encourage building construction, improvement and maintenance. And it should ensure that all owners pay a fair and reasonable tax in exchange for the public benefits that they receive. HB 78 does not label some property owners as either “good” or “bad.” It simply allows jurisdictions to provide more reasonable, productive and justifiable economic incentives.

## **10. HB 78 creates winners and losers**

This is an issue to be addressed by individual jurisdictions if and when they decide to take advantage of the opportunities provided by HB 78. However, every jurisdiction that has implemented a tax shift similar to that envisioned by HB 78 has phased it in over a period of years. During the initial years of implementation, changes in tax liability are negligible. However, because the direction of change is clear, owners of vacant lots and boarded-up buildings have an opportunity to change their investment decisions to take advantage of the new incentives. Thus, if properly implemented, this “tax shift” can allow most property owners to become “winners.”

As mentioned in my written testimony, answers to most of the concerns and questions related to the potential implementation of HB 78 can be found on the Baltimore Thrive website at <https://baltimorethrive.org/learn-more/> . If you are interested in scholarly citations supporting my initial testimony or the rebuttals here, they can be found at “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> .

**Thank you for the opportunity to testify in support of HB 78. I strongly urge your support.**

If members of the Ways and Means Committee have any questions or concerns about my written testimony supporting HB 78 or about this rebuttal to concerns raised by opponents, I am happy to respond to inquiries.