

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 779 (Senator Lewis Young)
Budget and Taxation

**Real Property - Taxation of Vacant Property, Certification of Company
Representatives, and Short-Term Rentals**

This bill authorizes Baltimore City and county governments to set a special property tax rate for improved residential property cited as vacant and unfit for habitation or other authorized use on a housing or building violation notice. In addition, the bill authorizes Baltimore City and county governments to adopt rules or regulations, by resolution or ordinance, relating to high-intensity use of short-term rentals in areas lacking an adequate supply of affordable housing. Finally, the bill requires specified entities that own residential real property in the State to file a certificate with the State Department of Assessments and Taxation (SDAT) each year that discloses certain contact information. **The bill takes effect June 1, 2024. The property tax rate provision applies to taxable years beginning after June 30, 2024.**

Fiscal Summary

State Effect: None. SDAT can handle the reporting requirements with existing budgeted resources.

Local Effect: Baltimore City and county property tax revenues may be affected depending on the real property tax rate that is set for vacant and abandoned property. Local jurisdictions can establish rules and regulations regarding short-term rentals with existing budgeted resources.

Small Business Effect: Potential meaningful. Small businesses that own vacant or abandoned property may be affected depending on the real property tax rate set by the local jurisdiction.

Analysis

Bill Summary: The bill includes provisions relating to the taxation of vacant property, the regulation of short-term rental properties, and the disclosure of contact information for specified business entities.

Taxation of Vacant Property

The bill establishes a new subclass of real property to include improved residential property cited as vacant and unfit for habitation or other authorized use on a housing or building violation notice. As a result, county governments (including Baltimore City) will be able to set a special property tax rate for this type of property that is different than the county property tax rate.

Regulation of Short-term Rental Properties

The bill enables county governments (including Baltimore City) to adopt rules or regulations that define a high-intensity use of short-term rentals based on (1) the number of nights booked; (2) infrastructure constraints in the area surrounding the short-term rental units; (3) whether the short-term rental units are owner-occupied; (4) criteria to identify areas lacking an adequate supply of affordable housing; and (5) any other criteria relating to short-term rentals.

Disclosure of Contact Information

The bill requires that specified entities submit a certificate with SDAT each year that discloses certain contact information. The certificate must (1) be in writing; (2) be affirmed or acknowledged under oath; and (3) disclose the correct contact information for a representative of the entity who has the authority to communicate with the public about the entity. SDAT must provide this information on request by a unit of local government in the State.

Under § 1-501 of the Corporations and Associations Article, an entity includes (1) a corporation; (2) a limited liability company; (3) a limited liability partnership; (4) a limited partnership; (5) a limited liability limited partnership; (6) a professional corporation; (7) a trade name filer; and (8) a business trust.

Current Law: Title 8 of the Tax Property Article establishes the methods of property valuation and assessments and lists those classifications of property created by the General Assembly. For assessment purposes, property is divided into two classes: real property; and personal property. Real property is divided into 11 subclasses and personal property is divided into 7 subclasses. The State only imposes a property tax on

real property, whereas county governments impose separate tax rates for real and personal property. State and county governments are not authorized to set separate property tax rates among different subclasses of property.

Unlike the State and county governments, municipalities have broader discretion to impose property tax rates on different classes of property. Municipalities may impose property taxes on those classes of property that it selects to be subject to the municipal property tax. In addition, municipalities retain the authority to classify property for local purposes and to impose different tax treatment on those classes. Furthermore, municipalities have the express power to exempt classes of property from taxation. Moreover, because municipalities may select the classes of property to be taxed and may set special rates for any class of property that is subject to the municipal property tax, municipalities retain the authority to levy different tax rates on selected classes of property.

Several municipalities have established a separate property class for municipal property tax purposes, including Luke in Allegany County; Cheverly, College Park, Colmar Manor, Cottage City, Forest Heights, Mount Rainier, North Brentwood, and Upper Marlboro in Prince George's County; and Pocomoke City in Worcester County.

Seven of the municipalities in Prince George's County impose a separate property tax rate for commercial real property, and two impose a separate rate for multifamily residential dwellings. Luke imposes a higher real property tax rate for commercial and rented residential property. Pocomoke City imposes a separate property tax rate for nonowner occupied property.

State Department of Assessments and Taxation Charter Unit

The SDAT charter unit is the central repository of all records for business entity formation and filings, such as charters, limited liability companies, partnerships, and trusts. The charter unit provides resident agent information for service of process on these entities and accepts service in certain instances on their behalf. The charter unit also records trade names and is the filing place for most financing statements under the Uniform Commercial Code. The charter unit administers the State's annual corporate filing fee, as well as other business transaction fees. Revenue collected is deposited into the State general fund.

Local Fiscal Effect: Baltimore City and county property tax revenues may be affected depending on the real property tax rates that are set by local jurisdictions for specified vacant and abandoned property. For fiscal 2024, SDAT reports that there are 180,845 vacant residential real property accounts with an assessed value of \$7.2 billion. In addition, there are 2,407 vacant condominium accounts with an assessed value of \$67.7 million and 756 vacant apartment accounts with an assessed value of \$147.9 million.

The bill provides Baltimore City and county governments with the ability to establish rules and regulations regarding the high intensity use of short-term rentals in areas that lack affordable housing. Local jurisdictions can establish these rules and regulations with existing budgeted resources.

Additional information on local property tax rates and revenues for Maryland counties and Baltimore City can be found in the [County Revenue Outlook Report – Fiscal 2024](#). A copy of the report is available on the Department of Legislative Services website.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 826 (Delegate Stewart) - Ways and Means and Environment and Transportation.

Information Source(s): Baltimore City; Prince George’s County; Maryland Association of Counties; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 16, 2024
js/hlb

Analysis by: Michael D. Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510