

**Department of Legislative Services**  
Maryland General Assembly  
2026 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 427 (Senator Lewis Young)  
Budget and Taxation

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**Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Personal Property of Data Centers**

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This bill authorizes Baltimore City and county governments to establish, by law, a subclass of personal property consisting of all the personal property of a specified qualified data center. Baltimore City and county governments are authorized to set a single special personal property tax rate for all the personal property of a specified qualified data center. **The bill takes effect June 1, 2026, and applies to taxable years beginning after June 30, 2026.**

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Local property tax revenues (Baltimore City and county governments) may be affected depending on the special personal property tax rate that is set for personal property of a qualified data center. Local expenditures are not directly affected.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** Local property tax rates are set annually by local governments and are applied to the county and municipal assessable bases. Generally, State law does not restrict the setting of property tax rates, enabling local governments to set rates at the level required to fund governmental services. Under the Maryland Constitution, the General Assembly retains the authority to set maximum limits on the rate of property taxes in municipalities (subject to approval at a local referendum) and in code home rule counties. However, the

Department of Legislative Services is unaware of any instances in which this authority has ever been exercised. Furthermore, local government statutes may limit the tax rates that may be set.

The local property tax rate is established by each county, Baltimore City, or municipality expressed as an amount per \$100 of assessed value. The county property tax rate may be supplemented by special property tax levies for special districts. Thus, local governments have the final authority for determining how much property tax revenue is generated.

### *Property Classification for Assessment Purposes*

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. Several county governments do not impose a personal property tax on business property.

Prior to fiscal 2025, Baltimore City and county governments were not authorized to set separate property tax rates among different subclasses of property. However, Chapter 277 of 2024 authorized Baltimore City and county governments, beginning July 1, 2024, to establish, by law, a subclass of real property consisting of vacant lots or improved property cited as vacant and unfit for habitation or other authorized use on a housing or building violation notice. Baltimore City and county governments are authorized to set a special property tax rate for properties within this subclass. An annual reporting requirement was included for jurisdictions that enact a special property tax rate. In addition, Chapter 170 of 2025 authorizes Baltimore City to impose the city's regular property tax rate and a special tax rate for specified vacant property on real property that would otherwise be exempt from taxation, if the real property is (1) a vacant lot or (2) improved property cited as vacant and unfit for habitation or other authorized use on a housing or building violation notice.

Unlike Baltimore City 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.

## *Data Centers*

Chapter 640 of 2020 established a sales and use tax exemption for the sale of qualified data center personal property for use at a qualified data center. “Qualified data center” means a data center located in the State in which an individual or a corporation, within three years after submitting an application for the sales and use tax exemption, has invested at least \$5.0 million (for a data center located within a Tier I area, \$2.0 million) in qualified data center personal property and created at least five qualified positions. “Qualified data center” includes (1) a data center that is a co-located or hosting data center where equipment, space, and bandwidth are available to lease to multiple customers and (2) an enterprise data center owned and operated by the company it supports.

Chapter 640 also authorizes local governments to reduce or eliminate the percentage of the assessment of any data center personal property used in a qualified data center. The State Department of Assessments and Taxation is authorized to adopt regulations to implement the personal property tax exemption.

**Local Fiscal Effect:** Local property tax revenues for Baltimore City and county governments may be affected depending on the special personal property tax rate that is set by each jurisdiction for personal property of a qualified data center and the value of the personal property.

The Department of Commerce reports that there are currently 10 qualified data centers that have been approved for the sales and use tax exemption. In addition, there is one pending application for the exemption, and three applications have been denied.

## *County Property Tax Collections*

County governments are projected to collect approximately \$11.5 billion in property tax revenues in fiscal 2026, as shown in the [County Revenue Outlook Report](#). A copy of the report is available on the Department of Legislative Services [website](#).

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## **Additional Information**

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

**Designated Cross File:** None.

**Information Source(s):** Anne Arundel, Baltimore, Cecil, Frederick, and Montgomery counties; Maryland Association of Counties; State Department of Assessments and Taxation; Department of Legislative Services

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