



## MARYLAND REAL PROPERTY TAX EXEMPTIONS

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Maryland's tax laws contain a variety of tax exemptions for different types of real property uses. These range from the common (e.g., governmental property) to the obscure (e.g., Gunpowder Youth Camps). It's important to note that just because a property owner is a church, charity or non-profit organization, such status does not automatically qualify the real estate for a property tax exemption. Additionally, a tax exemption is not the same as a tax credit, which is available to certain property owners under a different section of the Maryland Code. This article discusses some of the more common tax exemptions available and the process for obtaining an exemption.

Let's first review some exemptions available for residential property owners in Maryland. The Maryland Legislature has determined that certain individuals are deserving of a property tax exemption due to their station in life or service to our country. For instance, there are exemptions for blind individuals and their surviving spouses, for disabled veterans and their surviving spouses, and for surviving spouses of individuals who died in the line of duty while serving in the U.S. Military, Navy, or Air Force or due to an injury or disease deemed to have occurred in the line of duty. Another exemption is available to homeowners whose principal dwelling is damaged or destroyed due to a natural disaster, provided it is subsequently repaired or reconstructed.

For non-residential properties, the Code contains a litany of tax exemptions. Some relate to certain types of property ownership and use, while others are specially tailored to specific organizations. This includes the following:

- Property owned by a nonprofit charitable, fraternal, educational or literary organization and used exclusively to promote the general welfare of the public
- Property owned by a religious group that is used exclusively for public religious worship, a parsonage or convent, or for educational purposes
- Property owned and used exclusively by a national organization of veterans of the United States armed services
- Property owned and used exclusively by a nonprofit historical society, museum or academy whose sole purpose is to study the history of or maintain and preserve historic homes, places and personal property for the use and benefit of the public
- Property owned and used exclusively by the Boy Scouts, Girl Scouts, Izaak Walton League, Maryland Ornithological Society, Nature Conservancy and Chesapeake Bay Foundation

The Maryland Legislature has granted authority to Baltimore City and some counties to enact *optional* exemptions in addition to those provided by state law. This includes exemptions for senior citizen housing, low-income housing, and governmentally subsidized rental housing. Baltimore City is expressly authorized to provide tax exemptions for affordable and inclusionary housing, vacant and underutilized commercial buildings and for qualifying economic development projects.

Real property that might qualify for tax exemption under the Code is not exempted until the exemption has been applied for and approved by the State Department of Assessment and Taxation (SDAT). In fact, the Maryland Court of Appeals has ruled there is no inherent right of a religious institution, fraternal, benevolent or charitable group to an exemption from property taxation. *Supervisor of Assessments v. Trustees of Bosley Methodist Church Graveyard*, 293 Md. 208 (1982). A person or organization claiming an exemption must apply to the local Assessment Office on the form required by SDAT. For most categories, supporting documentation will be required, such as a veteran's certificate of disability, a non-profit status statement, or proof of religious affiliation. The application is reviewed at SDAT's main office in Baltimore and either approved or rejected. If rejected, the applicant has a right to a hearing to contest the decision. If approved, the exemption goes into effect but may be periodically reviewed by SDAT. Where the property use changes over time, the exemption may be revoked.

An example of a hotly contested exemption can be found in the case of *Green v. Church of Jesus Christ of Latter-Day Saints*, 430 Md. 119 (2012). Here, the church sought to exempt an apartment building in which it housed workers who performed religious ceremonies full-time. SDAT refused to recognize the exemption and the church appealed to the Property Tax

Assessment Appeals Board and the Maryland Tax Court, where it lost in both instances. The church appealed further to the Circuit Court for Montgomery County, where it finally prevailed in establishing that the apartment qualified as a religious convent. Yet SDAT challenged the circuit court's decision by appealing to the Maryland Court of Appeals. The Court affirmed the circuit court and ordered the Tax Court to grant a property tax exemption to the church.