



**Committee:** Joint  
**Committee Review:** At a future date  
**Staff:** Christine Wellons, Chief Legislative Attorney  
**Purpose:** To introduce agenda item – no vote expected

AGENDA ITEM #6C  
February 11, 2025  
**Introduction**

## **SUBJECT**

Bill 5-25, Demolition Tax for Affordable Housing Production

Lead Sponsor: Councilmember Mink

Co-Sponsor: Council Vice-President Jawando

## **EXPECTED ATTENDEES**

None

## **COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION**

- N/A

## **DESCRIPTION/ISSUE**

Bill 5-25 would:

- (1) establish an excise tax on certain demolitions and renovations of single-family homes;
- (2) specify the uses of tax revenues for affordable housing initiatives; and
- (3) generally amend the law concerning taxation.

## **SUMMARY OF KEY DISCUSSION POINTS**

- N/A

### **This report contains:**

Staff Report  
Bill 5-25

Pages 1-2  
© 1

**Alternative format requests for people with disabilities.** If you need assistance accessing this report you may [submit alternative format requests](#) to the ADA Compliance Manager. The ADA Compliance Manager can also be reached at 240-777-6197 (TTY 240-777-6196) or at [adacompliance@montgomerycountymd.gov](mailto:adacompliance@montgomerycountymd.gov)

**MEMORANDUM**

February 6, 2025

TO: County Council

FROM: Christine M.H. Wellons, Chief Legislative Attorney

SUBJECT: Bill 5-25, Demolition Tax for Affordable Housing Production

PURPOSE: Introduction – no Council votes required

Bill 5-25, Demolition Tax for Affordable Housing Production, sponsored by Lead Sponsor Councilmember Mink and Co-Sponsor Council Vice-President Jawando, is scheduled to be introduced on February 11, 2025. A public hearing is tentatively scheduled for March 18, 2025 at 1:30 p.m.

Bill 5-25 would:

- (1) establish an excise tax on certain demolitions and renovations of single-family homes;
- (2) specify the uses of tax revenues for affordable housing initiatives; and
- (3) generally amend the law concerning taxation.

**BACKGROUND**

The purpose of Bill 5-25 is to raise revenue for affordable housing initiatives in the County. As described more specifically below, the bill would achieve this purpose by creating an excise tax on the activities of demolishing or partially demolishing a single-family home. Other jurisdictions, including Evanston, Illinois, have enacted similar excise taxes.

**BILL SPECIFICS**

Under the bill, an excise tax would apply to certain total demolitions and partial demolitions of attached or detached single-family homes. A “partial demolition” would be defined as a construction or renovation that will result in the destruction or removal of at least 50% of an existing single-family home.

The tax rate would be \$20,000 per demolition or partial demolition. The rate could be increased by Council resolution after a public hearing. In addition, the rate would be increased annually based upon the Consumer Price Index. The tax would be due at the issuance of a permit by the Department of Permitting Services for the demolition or partial demolition of the single-family home.

A demolition or partial demolition of a single-family home would be exempt from the tax if:

- the home is deemed unsafe or condemned under Sections 8-10 or 26-13;

- the owner covenants that the replacement single-family home will be a moderately priced dwelling unit under Chapter 25A;
- the owner covenants to own and occupy the replacement single-family home as their principal residence for a minimum of 5 years;
- the owner covenants that the gross floor area of the replacement single-family home will be equal to or less than the gross floor area of the demolished or partially demolished home;
- the owner demonstrates that the replacement single-family home is necessary due to a medical condition or disability of an individual who will reside in the replacement single-family home; or
- the owner demonstrates that the demolition or partial demolition is necessary due to a Force Majeure or other factors beyond the owner's control and reasonable ability to remedy.

Revenues from the new excise tax would be dedicated to the Montgomery Housing Initiative and used exclusively for Housing Production Fund.

This packet contains:  
Bill 5-25

Circle #  
1

Bill No. 5-25  
Concerning: Demolition Tax for  
Affordable Housing Production  
Revised: 2/5/2025 Draft No. 6  
Introduced: February 11, 2025  
Expires: December 7, 2026  
Enacted: \_\_\_\_\_  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: None  
Ch. \_\_\_\_\_, Laws of Mont. Co. \_\_\_\_\_

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

---

Lead Sponsor: Councilmember Mink  
Co-Sponsor: Council Vice-President Jawando

---

**AN ACT** to:

- (1) establish an excise tax on certain demolitions and renovations of single-family homes;
- (2) specify the uses of tax revenues for affordable housing initiatives; and
- (3) generally amend the law concerning taxation.

By adding

Article XI, Excise Tax – Home Demolitions  
Sections 52-114, 52-115, 52-116, and 52-117

<b>Boldface</b>	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

*The County Council for Montgomery County, Maryland approves the following Act:*

1           **Sec. 1. Article XI, Sections 52-114, 52-115, 52-116, and 52-117, are added**  
 2 **as follows:**

3           **Article XI. Excise Tax – Single-family home demolitions**

4 **52-114. Definitions.**

5           In this Article, the following terms have the meanings indicated:

6           *Demolition* means the destruction or removal of a single-family home  
 7 under Section 8-27.

8           *Department* means the Department of Permitting Services.

9           *Consumer Price Index* means the Consumer Price Index for All Urban  
 10 Consumers (CPI-U) for the Washington-Arlington-Alexandria Core  
 11 Based Statistical Area (CBSA), as published by the United States  
 12 Department of Labor, Bureau of Labor Statistics, or a successor index.

13           *Gross floor area* has the meaning stated in Section 1.4.2 of Chapter 59.

14           *Owner* means an owner of real property who applies for a permit under  
 15 Chapter 8 to:

16           (1) demolish a single-family home on the property; or

17           (2) partially demolish a single-family home on the property.

18           *Partial demolition* means construction or renovation that:

19           (1) requires a permit under Section 8-24; and

20           (2) will result in the destruction or removal of at least 50 percent of  
 21 an existing single-family home as determined by the Department.

22           *Replacement single-family home* means a single-family home to be built  
 23 on the same plot as a demolished or partially demolished single-family  
 24 home.

25           *Single-family home* means one dwelling unit contained in a detached  
 26 house building type under Section 3.3.1.B of Chapter 59.

27 **52-115. Imposition and applicability of excise tax.**

28 (a) Except as provided in subsection (b), an owner who seeks to demolish  
29 or partially demolish a single-family home must pay an excise tax in the  
30 manner and amount prescribed by this Article.

31 (b) The tax under this Article must not apply to the demolition or partial  
32 demolition of a single-family home:

33 (1) deemed unsafe or condemned under Sections 8-10 or 26-13;

34 (2) if the owner covenants that the replacement single-family home  
35 will be a moderately priced dwelling unit under Chapter 25A;

36 (3) if the owner covenants to own and occupy the replacement  
37 single-family home as their principal residence for a minimum of  
38 5 years;

39 (4) if the owner covenants that the gross floor area of the  
40 replacement single-family home will be equal to or less than the  
41 gross floor area of the demolished or partially demolished home;

42 (5) if the owner demonstrates that the replacement single-family  
43 home is necessary due to a medical condition or disability of an  
44 individual who will reside in the replacement single-family  
45 home; or

46 (6) if the owner demonstrates that the demolition or partial  
47 demolition is necessary due to a Force Majeure or other factors  
48 beyond the owner's control and reasonable ability to remedy.

49 **52-116. Tax amount.**

50 (a) Except as provided under subsection (b), the tax rate under this Article  
51 must be \$20,000 for each demolition or partial demolition subject to this  
52 Article.

- 53 (b) Amount adjustments.
- 54 (1) Council resolution. The Council may establish a rate for the tax
- 55 that is higher than the rate under subsection (a) by resolution after
- 56 a public hearing under Section 52-17(c).
- 57 (2) Consumer price index adjustment.
- 58 (A) Effective July 1, 2026 and July 1 of each subsequent
- 59 year, the Chief Administrative Officer must adjust the
- 60 dollar amount of the tax rate under subsection (a).
- 61 (B) The Chief Administrative Officer must calculate each
- 62 adjusted amount to the nearest multiple of \$10.
- 63 (C) The adjusted amount must be equal to the current amount
- 64 multiplied by the outcome of the most recent published
- 65 Consumer Price Index at the time of the adjustment
- 66 divided by the annual value of the Consumer Price Index
- 67 from the year prior to the current year.
- 68 (D) The Chief Administrative Officer must, by March 1 of
- 69 the year preceding an adjustment, publish the adjusted
- 70 amount:
- 71 (i) in the County Register; and
- 72 (ii) on the County website.

**52-117. When tax is due; required information; use of funds; penalties.**

- 74 (a) Payment required. The Department must not issue a permit under
- 75 Section 8-24 for a demolition or partial demolition unless:
- 76 (1) the owner has paid the tax due under this Article; or
- 77 (2) the permit is exempt from the tax under Section 52-115(b).
- 78 (b) Responsibilities of the Department. The Department must determine:

- 79           (1)   whether an application for a permit is subject to the tax under this  
 80           Article;
- 81           (2)   whether an exemption under Section 52-115(b) applies to the  
 82           application; and
- 83           (3)   the amount of the tax due under this Article.
- 84       (c)   Documentation required. An owner must, at the County’s request,  
 85           submit to the County any information, certification, and documentation  
 86           required to:
- 87           (1)   determine the applicability of the tax; and
- 88           (2)   calculate the amount of the tax due.
- 89       (d)   Record retention. Every person liable for any tax under this Article  
 90           must preserve for 7 years all records necessary to determine the amount  
 91           of the tax. The County may inspect the records at any reasonable time.
- 92       (e)   Use of revenues. Tax revenues under this Article must be:
- 93           (1)   dedicated to the Montgomery Housing Initiative under Section  
 94           25B-9; and
- 95           (2)   used solely to finance revenue bonds under Chapter 20, Article  
 96           IV.
- 97       (f)   Penalties. A person who fails to pay a tax due under this Article, or who  
 98           intentionally provides false or misleading information to the County  
 99           under this Article:
- 100           (1)   has committed a Class A civil violation; and
- 101           (2)   is liable for the tax due, a penalty equal to 5 percent of the tax  
 102           due, and interest on the tax due, as calculated by the Department  
 103           of Finance.



104            **Sec. 2. Transition.** This Act must not apply to an application for a permit  
105 under Section 8-24 submitted to the Department prior to the effective date of this Act.