

**Department of Legislative Services**  
Maryland General Assembly  
2006 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 724

(Chairman, Ways and Means Committee)

(By Request – Departmental – Assessments and Taxation)

Ways and Means

Budget and Taxation

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**Property Tax Assessment - Agricultural Use Property - Elderly or Disabled  
Property Owner**

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This departmental bill authorizes the State Department of Assessments and Taxation (SDAT) to grant a waiver from specified requirements used to determine eligibility for an agricultural land use assessment to property owners who are at least 70 years old or are disabled. Currently, a waiver may only be sought by land owners (at least 70 years old or disabled) with 20 acres of land or less.

The bill takes effect July 1, 2006 and is applicable to all taxable years beginning after June 30, 2006.

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**Fiscal Summary**

**State Effect:** Potential minimal decrease in State special fund revenues beginning in FY 2007. The amount of any decrease cannot be reliably estimated and depends on the number of properties that could be reassessed.

**Local Effect:** Potential minimal decrease in local government revenues beginning in FY 2007. The amount of any decrease cannot be reliably estimated and depends on the number of properties that could be reassessed.

**Small Business Effect:** SDAT has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

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## Analysis

**Current Law:** Current law allows a property owner with less than 20 acres of land to petition for a waiver from the requirement that the land be actively farmed in order to keep the land's agricultural use assessment if the property owner is at least 70 years old or disabled. The land must have been farmed for at least the two previous assessment cycles. In addition, in order to receive a waiver from the income requirement – yield an average gross income of at least \$2,500 – the land must have received the agricultural use assessment in 1984.

**Background:** The bill standardizes the requirements for seeking a land use assessment waiver regardless of the parcel size; the bill provides farmers the opportunity to seek a waiver from land use requirements so that they do not lose their agricultural use assessment if they are unable to actively farm the land due to age or disability. If provided this opportunity, some farmers may be less likely to sell their properties in case they are unable to farm and could therefore lose the agricultural land use assessment.

**State Fiscal Effect:** To the extent that properties are reassessed at market value under current law, the State would realize an increase in property tax revenues. Therefore, under the bill, the State would lose this potential property tax revenue increase. However, the number of times that this might occur, absent the bill, cannot be reliably estimated. **Exhibit 1** shows the number of properties receiving an agricultural use assessment, as of July 1, 2005. To offset the reduction in State property tax revenues, general fund expenditures could increase in an amount equal to the decrease in the Annuity Bond Fund revenues or the State property tax rate would have to be increased in order to meet debt service payments. This assumes that the Annuity Bond Fund does not have an adequate fund balance to cover the reduction in State property tax revenues.

**Local Fiscal Effect:** To the extent that properties are reassessed at market value under current law, local governments would realize an increase in property tax revenues. Therefore, under the bill, local governments would lose this potential property tax revenue increase. However, the number of times that this might occur, absent the bill, cannot be reliably estimated.

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**Exhibit 1**  
**Properties Receiving an Agricultural Use Assessment**  
**July 1, 2005**

<b>County</b>	<b>Improved</b>	<b>Vacant</b>	<b>Total</b>
Allegany	653	519	1,172
Anne Arundel	1,095	442	1,537
Baltimore City	0	0	0
Baltimore	2,460	1,562	4,022
Calvert	908	373	1,281
Caroline	1,401	1,121	2,522
Carroll	2,891	1,596	4,487
Cecil	1,397	692	2,089
Charles	1,372	590	1,962
Dorchester	1,035	1,260	2,295
Frederick	3,298	1,526	4,824
Garrett	1,476	1,048	2,524
Harford	2,192	901	3,093
Howard	789	392	1,181
Kent	811	529	1,340
Montgomery	1,181	833	2,014
Prince George's	831	1,013	1,844
Queen Anne's	1,296	773	2,069
St. Mary's	1,609	705	2,314
Somerset	779	1,254	2,033
Talbot	948	697	1,645
Washington	1,893	976	2,869
Wicomico	1,483	1,838	3,321
Worcester	1,263	1,528	2,791
<b>Total</b>	<b>33,061</b>	<b>22,168</b>	<b>55,229</b>

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, Department of Legislative Services

**Fiscal Note History:** First Reader - February 13, 2006  
nas/hlb Revised - House Third Reader - March 23, 2006

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