

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 490 (Senator Craig, *et al.*)  
Budget and Taxation

**Recordation Tax and State Transfer Tax - Transfer of Agricultural Land**

This bill exempts an instrument of writing that transfers agricultural land from the recordation and State transfer taxes, if the instrument of writing is wholly or partly exempt from the agricultural land transfer tax. The bill requires, however, that the recordation and State transfer tax be imposed on the value of land that is not farmed. The bill provides for certain tax penalties if land exempted from recordation and transfer taxes is not used for farm purposes.

This bill takes effect July 1, 1997.

**Fiscal Summary**

**State Effect:** General fund revenues could decrease by \$72,800 and special fund revenues could decrease by \$812,400 in FY 1998. Expenditures would not be affected. Future year revenue loss reflects assessable base growth.

(in dollars)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	(\$72,800)	(\$74,300)	(\$75,700)	(\$77,300)	(\$78,800)
SF Revenues	(812,400)	(828,600)	(845,200)	(862,100)	(879,400)
GF Expenditures	0	0	0	0	0
SF Expenditures	0	0	0	0	0
Net Effect	(\$885,200)	(\$902,900)	(\$920,900)	(\$939,400)	\$958,200)

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds

**Local Effect:** Local government revenues could decrease by at least \$1,346,700 in FY 1998, of which \$339,200 results from decreases in State transfer tax revenues earmarked to the local open space program. Expenditures would not be affected.

**Small Business Effect:** Meaningful. Exempting the recordation and State transfer tax for land transferred for agricultural purposes will reduce the cost to farmers seeking to acquire additional land.

## Fiscal Analysis

**State Revenues:** Exempting instruments of writing that transfer agricultural land from the State transfer tax could decrease State revenues by \$837,500 in fiscal 1998. This estimate is based on:

- State transfer tax of 0.5%;
- \$161 million of land transferred in fiscal 1996; and
- future year revenue loss increases by 2%, reflecting annual assessable base growth.

State transfer tax revenues are distributed to three special funds: Program Open Space (83.5%), Agricultural Land Preservation (14.5%), and Heritage Conservation (2%); except for the first 3% of tax receipts which are earmarked to defray administrative expenses.

**Exhibit 1** shows the fiscal impact on the three special funds.

**Exhibit 1**

<b>Program</b>	<b>Fund</b>	<b>FY 1998 Revenue Loss</b>
Administrative Expenses	GF	\$25,100
Program Open Space	SF	678,400
Agricultural Land Preservation	SF	117,800
Heritage Conservation	SF	16,200
Total	GF/SF	\$837,500

In addition, exempting instruments of writing that transfer agricultural land from the local recordation tax could decrease general fund revenues by \$47,700 in fiscal 1998. This estimate is based upon a portion of the State and recordation taxes being retained by the Clerk of the Circuit Court to cover administrative expenses.

**Local Revenues:** Exempting an instrument of writing that transfers agricultural land from the recordation tax could reduce local revenues by \$1,007,500 in fiscal 1998. In addition, since local governments receive 50% of the State transfer tax revenues earmarked for Program Open Space, local revenues would decrease by an additional \$339,200 in fiscal 1998, for a total revenue decrease of \$1,346,700 in fiscal 1998.

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**Information Source(s):** Department of Assessments and Taxation, Garrett County, Prince George's County, Department of Fiscal Services

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