SB 393

Department of Legislative Services

Maryland General Assembly
2000 Session

FISCAL NOTE

Senate Bill 393 (Senator Dyson)
Budget and Taxation

Agricultural Transfer Tax - County Land Preservation Programs

This bill allows a county certified under the Maryland Agricultural Land Preservation Foundation (MALPF) program to retain 75% of the revenues collected pursuant to the agricultural land transfer tax assessed on parcels that are entirely woodland.

The bill takes effect July 1, 2000.

Fiscal Summary

State Effect: Net decrease in special fund revenue of $75,000 annually beginning in FY 2001 due to the decrease in tax remitted to the State ($100,000 decrease in revenues to the Woodland Incentives Fund; $25,000 increase in revenues to the Maryland Agricultural Land Preservation Fund).

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
SF Revenues	($75,000)	($75,000)	($75,000)	($75,000)	($75,000)
SF Expenditures	0	0	0	0	0
Net Effect	($75,000)	($75,000)	($75,000)	($75,000)	($75,000)

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

Local Effect: Certified counties would retain a greater portion of the woodland transfer tax, $75,000 annually, beginning in FY 2001.

Small Business Effect: Minimal.

Analysis

Current Law: Real property transferred out of agricultural use is assessed an agricultural land transfer tax based on the fair market value of the land. The tax is collected by each county. Except for Montgomery County, each county remits 100% of the revenue collected from parcels that are entirely woodland to the Comptroller. Of the remaining revenue, counties must remit 66% to the Comptroller and retain 33%. If a county is certified by the Office of Planning and MALPF as having an effective local agricultural land preservation program, the county is authorized to retain 75% of the balance and remit only 25% to the Comptroller. Certified counties must still remit 100% of the tax revenue collected from entirely woodland parcels to the Comptroller.

Of the tax revenue remitted to the Comptroller from taxes assessed on parcels that are entirely woodland, the Comptroller must deposit up to $200,000 annually into the Woodland Incentives Fund in the Department of Natural Resources (DNR). Any revenue collected in excess of $200,000 must be remitted to the Maryland Agricultural Land Preservation Fund in the Department of Agriculture.

Background: Revenues remitted to the Comptroller from the tax collected on parcels that are not entirely woodland totaled approximately $2.5 million in fiscal 1999, and revenues from the tax collected on entirely woodland parcels totaled approximately $100,000. Virtually all the revenues from the tax on woodland parcels were remitted by the 15 counties that are certified under the MALPF program. The majority of the woodland tax collected in fiscal 1999 (69%) was remitted by St. Mary's County.

The Woodland Incentives Fund is used to assist eligible landowners in conducting woodland management activities. The fund relies heavily on the revenue from the transfer tax; its only other source of revenue comes from fees imposed by DNR on landowners for assistance in implementing approved management practices. The Maryland Agricultural Land Preservation Fund is used to purchase easements from willing landowners to protect agricultural land from development.

State Fiscal Effect: This bill allows certified counties (which account for virtually all of the woodland tax revenue) to retain 75% of the revenues from the tax on entirely woodland parcels and remit 25% of the revenues to the Comptroller. The Comptroller would distribute all the revenues to the Maryland Agricultural Land Preservation Fund. Based on 1999 data, it is estimated that there will be a net decrease in special fund revenues of $75,000 annually beginning in fiscal 2001. This estimate assumes that the revenue from the tax on entirely woodland parcels remains at approximately $100,000 annually.

Revenues to the Woodland Incentives Fund in DNR would decrease by an estimated $100,000, the amount that the special fund received from tax revenues in fiscal 1999. Funds from the tax revenue are used for a cost-share program to reimburse landowners for up to 50% of the costs of woodland management projects. In 1999, the program provided reimbursements totaling $102,000 to 103 landowners in 13 counties. The revenue from the tax represents approximately 47% of the total revenue to the fund; it receives approximately $115,000 annually from charges to landowners.

Revenues to the Maryland Agricultural Land Preservation Fund in the Department of Agriculture would increase by an estimated $25,000. In 1999, the fund received over $24 million in revenues from State, local, federal, and other sources.

Legislative Services advises that should the tax revenue collected from entirely woodland parcels exceed $200,000, the bill's changes would result in a 75% decrease in the amount of the excess funds that would be remitted to the Maryland Agricultural Land Preservation Fund. Legislative Services advises, however, that this is unlikely to happen during the next few years.

Local Fiscal Effect: Certified counties would retain 75% of the agricultural land transfer tax revenue from entirely woodland parcels beginning in fiscal 2001. Because certified counties account for virtually all of that tax, based on fiscal 1999 tax revenues of approximately $100,000, it is estimated that the 15 certified counties would retain a total of $75,000 annually. Currently, certified counties must remit 100% of the tax to the Comptroller. The increase in tax revenue will provide additional funds available to certified counties to purchase easements to protect agricultural land from development.

Additional Information

Prior Introductions: None.

Cross File: HB 615 (St. Mary's County Delegation) - Ways and Means.

Information Source(s): Office of the Comptroller, Maryland Department of Agriculture, Maryland Office of Planning, Department of Legislative Services

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