

**Department of Legislative Services**  
 Maryland General Assembly  
 2002 Session

**FISCAL NOTE**  
**Revised**

House Bill 758

(Delegate Hixson, *et al.*)

Ways and Means

Budget and Taxation

**Property Tax Assessment - Country Clubs and Golf Courses**

This bill alters the assessment method for country clubs and golf courses.

The bill is effective June 1, 2002.

**Fiscal Summary**

**State Effect:** Annuity Bond Fund revenues could decrease by approximately \$47,500 in FY 2003 with a corresponding increase in general fund expenditures. Future year revenues decrease with expected increases in property assessments.

| (in dollars)   | FY 2003    | FY 2004     | FY 2005     | FY 2006     | FY 2007     |
|----------------|------------|-------------|-------------|-------------|-------------|
| SF Revenue     | (\$47,500) | (\$75,600)  | (\$99,200)  | (\$113,900) | (\$125,900) |
| GF Expenditure | 47,500     | 75,600      | 99,200      | 113,900     | 125,900     |
| Net Effect     | (\$95,000) | (\$151,200) | (\$198,400) | (\$227,800) | (\$251,800) |

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

**Local Effect:** Local government property tax revenues could decrease by \$553,300 in FY 2003 increasing annually by an amount equal to the expected increase in property assessments. Future year revenue losses amount to \$1,456,100 by FY 2007 due to expected increases in assessments. ***This bill imposes a mandate on units of local government.***

**Small Business Effect:** Potential minimal decrease in property taxes of golf courses that are small businesses.

## Analysis

**Bill Summary:** Country clubs and public golf courses located on at least 50 acres with at least nine holes are to be valued using the method for open space. The Department of Assessments and Taxation must adopt regulations establishing the value of land under this bill.

If a country club or golf course allows or practices discrimination based on race, color, creed, sex, or national origin in granting membership or guest privileges, the above assessment methods will be disallowed. A person may file a complaint for discrimination with the Attorney General who will determine whether discrimination occurred.

On or before September 30, 2002, the department may enter into agreements with golf courses effective for the tax year beginning July 1, 2002. For a country club that was subject to an existing agreement with the department, the bill's provisions would be effective for the tax year beginning July 1, 2002.

**Current Law:** A country club may enter into an agreement with the department for an assessment based on its current use as a country club rather than its highest and best use. Agreements must be for at least ten years, provide a penalty for early termination, and prohibit discrimination in granting membership or guest privileges.

Golf courses are assessed at market value where land is appraised as if the land were vacant and available for its most economic use. Improvements are valued at the cost to construct such improvements, less applicable depreciation.

Most country club and golf course land is currently assessed in excess of \$5,000 per acre. The department intends to establish regulations that the assessed value under the open space assessment will be \$1,000 per acre for those country clubs and golf courses that enter into a use agreement with the department.

**Background:** There are currently 135 taxable golf courses in Maryland with 4 additional courses under construction. Of the 135 courses, 29 are assessed as country clubs. According to the Department of Assessments and Taxation, the market value of golf courses has been increasing significantly as indicated by recent sales. The average assessment increases have been:

|                          | <u>1/1/2000</u> | <u>1/1/2001</u> | <u>1/1/2002</u> |
|--------------------------|-----------------|-----------------|-----------------|
| Non-country club courses | 14.79%          | 32.33%          | 42.33%          |
| Country clubs            | 5.8%            | 9.46%           | 9.63%           |

**State Fiscal Effect:** As a result of assessing golf courses as open space at the intended \$1,000 per acre, special fund revenues could decrease by \$47,489 in fiscal 2003 and by \$75,622 in fiscal 2004, increasing annually thereafter based on expected raises in assessments. General fund expenditures will increase by a corresponding amount. The State real property tax rate is \$0.084 per \$100 of assessed value. All State property tax revenues are dedicated to the Annuity Bond Fund, used exclusively for paying the debt service on State general obligation bonds. Any decrease in property tax revenue will result in increased general fund expenditures to pay debt service.

The Department of Assessments and Taxation advises that additional staff in the Assistant Attorney General’s Office may be needed to handle increased discrimination claims. The Department of Legislative Services believes that any increase in discrimination claims could be handled with existing resources.

**Local Revenues:** Local government property tax revenues could decrease as a result of decreased golf course assessments as follows:

|           | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|-----------|----------------|----------------|----------------|----------------|----------------|
| County    | \$537,586      | \$858,163      | \$1,123,344    | \$1,291,700    | \$1,428,365    |
| Municipal | \$15,744       | \$19,028       | \$21,782       | \$23,951       | \$27,771       |

**Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 571 (Senator Hogan, *et al.*) – Budget and Taxation.

**Information Source(s):** Department of Assessments and Taxation, Wicomico County, Allegany County, Montgomery County, Prince George’s County, Talbot County, Baltimore City, Department of Legislative Services

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