

**Department of Legislative Services**  
 Maryland General Assembly  
 2004 Session

**FISCAL AND POLICY NOTE**

Senate Bill 480

(Senators Dyson and Munson)

Budget and Taxation

Ways and Means

**Property Tax - Assessment of Conservation Property**

This bill establishes conservation property as a separate sub-class of real property and provides that it be valued at a rate equivalent to the lowest rate used for agricultural use land. Conservation property includes land that is subject to a perpetual conservation easement approved by the Board of Public Works before June 30, 1986 and land that currently receives a property tax credit for conservation land.

The bill is effective June 1, 2004 and applies to tax years after June 30, 2004.

**Fiscal Summary**

**State Effect:** Special fund revenues could decrease by \$48,500 beginning in FY 2005 due to frozen assessments at \$1,000/acre. Out-year estimates reflect an estimated 2% annual increase in assessment values. General fund expenditures could increase by \$48,500 annually beginning in FY 2007.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
SF Revenue	(\$48,500)	(\$48,500)	(\$48,500)	(\$48,500)	(\$48,500)
Expenditure	0	0	48,500	48,500	48,500
Net Effect	(\$48,500)	(\$48,500)	(\$97,000)	(\$97,000)	(\$97,000)

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

**Local Effect:** County property tax revenues could decrease by \$344,500 in FY 2005.

**Small Business Effect:** Potential minimal.

## Analysis

**Current Law:** Property that is subject to a perpetual conservation easement receives a 100% State and local property tax credit on the donated land for 15 years. As the credit expires, property taxes must be paid based on assessed value.

The State real property tax rate is \$0.132 per \$100 of assessed value. All State property tax revenues are credited to a special fund, the Annuity Bond Fund, dedicated exclusively to paying the debt service on State general obligation bonds. Local governments generally have the authority to set their own property tax rates.

**Background:** The current land assessment is \$1,000 per acre. If land is assessed with an agricultural use assessment, the value is \$125 to \$500 per acre. The lowest agricultural use assessment is \$125 per acre.

**State Fiscal Effect:** State special fund revenues could decrease by \$48,500 in fiscal 2005. Currently there is a fund balance in the Annuity Bond Fund that could cover the decreased special fund revenues in fiscal 2005 and 2006. General funds would not be required in either year. Beginning in fiscal 2007, the revenue loss from this bill could result in a subsidy from the general fund.

The estimated current assessment of land qualified under the bill totals \$41,922,000. The estimated assessment if the land were assessed using the lowest agricultural use assessment of \$125 per acre would total \$5,240,250. The \$36,681,750 decrease in assessed value would result in the loss of approximately \$48,500 in property tax revenues.

**Local Revenues:** Local government property tax revenues could decrease by approximately \$344,519 in fiscal 2005. See **Exhibit 1** for schedule of loss by county.

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**Exhibit 1**

<u>County</u>	<u>Estimated Current Assessment</u>	<u>Assessment Under Bill</u>	<u>Loss in Revenue</u>
Allegany	\$217,000	\$27,125	\$1,899
Anne Arundel	157,000	19,625	1,312
Baltimore City	28,000	3,500	570
Baltimore	7,724,000	965,500	75,357
Calvert	1,402,000	175,250	10,943
Caroline	1,431,000	178,875	11,920
Carroll	259,000	32,375	2,375
Cecil	2,186,000	273,250	18,745
Charles	1,841,000	230,125	16,366
Dorchester	5,111,000	638,875	41,591
Frederick	1,027,000	128,375	8,986
Garrett	274,000	34,250	2,484
Harford	1,119,000	139,875	10,962
Howard	649,000	81,125	5,929
Kent	3,544,000	443,000	31,382
Montgomery	242,000	30,250	1,590
Prince George's	84,000	10,500	706
Queen Anne's	3,050,000	381,250	26,047
St Mary's	0	0	0
Somerset	3,276,000	409,500	28,952
Talbot	6,025,000	753,125	29,153
Washington	514,000	64,250	4,264
Wicomico	729,000	91,125	6,640
Worcester	<u>1,033,000</u>	<u>129,125</u>	<u>6,598</u>
<b>Statewide</b>	<b>\$41,922,000</b>	<b>\$5,240,250</b>	<b>\$344,519</b>

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## **Additional Information**

**Prior Introductions:** This bill was introduced as SB 750 in the 2002 session. It passed the Senate and the House after being amended by the Senate Budget and Taxation Committee. It was vetoed by the Governor for policy reasons.

**Cross File:** HB 1106 (Delegate James, *et al.*) – Ways and Means.

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

**Fiscal Note History:** First Reader - March 3, 2004  
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