

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 445
Ways and Means

(St. Mary's County Delegation)

Budget and Taxation

Property Tax Credits - St. Mary's County - Land Preservation Easements

This bill extends eligibility for an optional St. Mary's County property tax credit to real property, including improvements, subject to a State or county land preservation program. Under current law, the property has to be subject to the Maryland Agricultural Land Preservation District Program or the St. Mary's County Agricultural Land Preservation District Five-year Program.

The bill takes effect June 1, 2008 and applies to all taxable years beginning after June 30, 2008.

Fiscal Summary

State Effect: None.

Local Effect: St. Mary's County property tax revenues could decrease by approximately \$329,600 beginning in FY 2009. Future year revenues would decrease to the extent more agricultural land becomes subject to conservation easements.

Small Business Effect: Potential meaningful.

Analysis

Current Law: St. Mary's County is authorized to grant a property tax credit for real property that is subject to the Maryland Agricultural Land Preservation District Program or the St. Mary's County Agricultural Land Preservation District Five-year Program.

Background: Twelve counties and Baltimore City have either mandatory or optional property tax credits for specified agricultural land as shown in **Exhibit 1**.

Local Fiscal Effect: Approximately 16,659 acres of agricultural land in St. Mary's County are currently subject to a State or local conservation easement and could be eligible for the property tax credit proposed by the bill. These easements are provided through the Maryland Agricultural Land Preservation Foundation (MALPF), Maryland Environmental Trust (MET), Rural Legacy, and county purchase of development rights and transfer of development rights programs. Land subject to a perpetual agricultural land preservation easement is assessed at \$500 per acre or less, depending on whether the land is being farmed.

The county estimates that the assessed value of all eligible agricultural land is approximately \$38.5 million. Based on the current county real property tax rate of \$0.857 per \$100 of assessment, county property tax revenues could decrease by approximately \$329,561 beginning in fiscal 2009. Future year revenues would decrease to the extent more agricultural land becomes subject to conservation easements.

Small Business Effect: Small businesses that hold agricultural land in a State or local land preservation program would realize a reduction in local property taxes.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): St. Mary's County, Department of Legislative Services

Fiscal Note History: First Reader - February 7, 2008
ncs/hlb

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Exhibit 1
Local Property Tax Credits for Specified Agricultural Lands

<u>County</u>	<u>Tax Credit Description</u>
Anne Arundel	real property subject to the State or county agricultural land preservation program (optional)
Baltimore City	credit for property tax imposed on certain real property subject to a perpetual conservation easement donated to the Maryland Environmental Trust on or before June 30, 1986 (mandatory)
Baltimore	agricultural land located in an agricultural preservation district, subject to specified conditions and restrictions (optional)
Calvert	(1) agricultural land located in an agricultural preservation district (county and municipal – mandatory); (2) credit for tax imposed on building located on land that qualifies for an agricultural use assessment and is used in connection with a recognized and approved agricultural activity (optional)
Caroline	credit of up to 75% of the county tax imposed on agricultural land located in an agricultural preservation district, subject to specified conditions and restrictions (optional)
Charles	(1) agricultural land located in an agricultural preservation district; (2) buildings, other than tobacco barns, located on land that qualifies for an agricultural use assessment and used in connection with a recognized and approved agricultural activity (optional)
Dorchester	(1) agricultural land subject to a nutrient management plan; (2) agricultural land located in an agricultural land preservation district or subject to a land preservation easement; (3) forest land subject to a forest management plan (optional)
Frederick	(1) 100% property tax credit for agricultural preservation land; (2) credit for tax imposed on building located on land that qualifies for an agricultural use assessment and is used in connection with a recognized and approved agricultural activity (optional)
Harford	(1) real property tax on property that is used primarily for an agricultural purpose and does not have an agricultural use assessment; (2) land located in specified agricultural districts or becomes subject to a MALPF easement after July 1, 1988; (3) specified property located in the Harford County Agricultural Land Preservation Program after July 1, 1993, subject to specified conditions and restrictions (optional)
Howard	credit for property tax imposed on real property that is subject to the county's agricultural land preservation program (optional)
St. Mary's	(1) real property subject to Maryland Agricultural Land Preservation District Program or the St. Mary's Agricultural Land Preservation District Five-year program; (2) property that was solely used as a tobacco barn and is subject to the tobacco buyout (optional)
Washington	credit for property tax imposed on real property that is subject to the county's agricultural land preservation program (optional)
Wicomico	agricultural land and agricultural easements located in an agricultural preservation district (optional)