

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 758

(Senator Colburn)

Budget and Taxation

Property Tax - Agricultural Use Assessment

This bill requires that property used as a migrant labor camp be considered actively used for farming and therefore qualify for an agricultural land use valuation and assessment for property tax purposes, provided that the camp operator holds a valid permit issued by the Department of Health and Mental Hygiene.

The bill takes effect October 1, 2008 and is applicable to taxable years beginning after June 30, 2009.

Fiscal Summary

State Effect: Special fund revenues for the Annuity Bond Fund could decrease by a minimal amount as a result of property shifting from a market value assessment to an agricultural use assessment beginning in FY 2010. The amount depends on the number of acres receiving a new assessment. This decrease would require either (1) an increase in the State property tax rate; or (2) a general fund appropriation to cover debt service on the State's general obligation bonds.

Local Effect: Local property tax revenues could decrease by a significant amount as a result of property shifting from a market value assessment to an agricultural use assessment beginning in FY 2010. The amount depends on the number of acres receiving a new assessment.

Small Business Effect: Potential meaningful. Farmers and operators of migrant labor camps would have reduced taxable property tax assessments.

Analysis

Bill Summary: A migrant labor camp is defined as a facility used as housing for migrant agricultural workers, including • a structure, buildings, or converted buildings; • a tent; • barracks; and • a vehicle trailer or mobile home.

In order to be eligible for the agricultural use assessment, the camp operator must hold a valid permit issued by DHMH and the property on which the camp is located includes, or is contiguous to, real property that receives an agricultural use assessment.

Current Law: Property used for a migrant labor camp is not subject to an agricultural use assessment.

Background: Maryland law provides for the special status of farming and a special land use assessment for farmland (under specified conditions) in order to promote the preservation of farmland.

State law also provides the mechanism for carrying out agricultural land use assessments including (1) specified provisions relating to the criteria to be used in determining whether or not lands qualify for the agricultural use assessment; (2) specified tests to be used by assessors; (3) specified restrictions; and (4) how the law applies to woodland.

The following are approved activities that qualify for an agricultural land use assessment:

- raising grains, fruit, herbs, melons, mushrooms, nuts, seeds, tobacco, or vegetables;
- raising poultry (chickens, turkeys, or eggs);
- dairy (milking cows);
- horse boarding, breeding, or training;
- turf farming;
- raising ornamental shrubs, plants, and flowers, including aquatic plants;
- aquaculture; and
- silvaculture.

Agricultural land use rates range from \$125 per acre to \$500 per acre, depending on the land type and use. The State property tax rate is \$0.112 per \$100 of assessment.

State Fiscal Effect: The bill alters the property assessment of property used to house a migrant labor camp so that the property may receive an agricultural use assessment.

Currently, one acre associated with any dwelling on a farm must be valued at the current market rate. Acreage that is actively devoted to agricultural pursuits, including land under barns and other agricultural structures, is assessed at \$500 or less per acre, depending on the exact use of the land. As a result, special fund revenues for the Annuity Bond Fund would decrease to the extent that property shifts from a market value assessment to an agricultural use assessment. The amount of the decrease, however, cannot be reliably estimated and depends on the number of acres receiving a new assessment.

There are currently 87 properties in 18 counties that are licensed by DHMH to operate a migrant labor camp. The total assessed value of 54 of them that could be identified by the State Department of Assessments and Taxation, before any homestead credits are deducted, is \$21.8 million for fiscal 2008. The value of acreage receiving an agricultural use assessment is approximately \$1.6 million.

Debt service payments on the State's general obligation bonds are paid from the Annuity Bond Fund. Revenue sources for the fund include State property taxes, premium from bond sales, and repayments from certain State agencies, subdivisions, and private organizations. General funds may be appropriated directly to the Annuity Bond Fund to make up any differences between the debt service payments and funds available from property taxes and other sources. The fiscal 2009 State budget allowance includes \$744.8 million for general obligation debt service costs, all of which are special funds from the Annuity Bond Fund.

To offset the reduction in State property tax revenues, general fund expenditures could increase in an amount equal to the decrease in the Annuity Bond Fund revenues or the State property tax rate would have to be increased in order to meet debt service payments. This assumes that the Annuity Bond Fund does not have an adequate fund balance to cover the reduction in State property tax revenues.

Local Fiscal Effect: Local property tax revenues could decrease by a significant amount as a result of property shifting from a market value assessment to an agricultural use assessment. However, the amount of the decrease cannot be reliably estimated and depends on the number of acres receiving a new assessment.

Additional Information

Prior Introductions: SB 442 of 2007, a similar bill, received a favorable with amendments report from the Senate Budget and Taxation Committee and passed the Senate. The House Ways and Means Committee took no action on the bill.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Charles County, Frederick County, Montgomery County, Prince George's County, Department of Legislative Services

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mll/hlb

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