

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1062
Ways and Means

(Delegate Healey, *et al.*)

Budget and Taxation

Property Tax Credit - Urban Agricultural Property

This bill authorizes local governments to grant a five-year property tax credit for urban agricultural property. Local governments may provide for the amount of the property tax credit, additional eligibility criteria, regulations and procedures for the application and uniform processing of requests for the tax credit, and any other provision necessary.

The bill takes effect June 1, 2010, and applies to taxable years beginning after June 30, 2010.

Fiscal Summary

State Effect: None.

Local Effect: Potential significant reduction in local property tax revenues beginning in FY 2011 to the extent the tax credit is granted. The amount of the decrease will vary by jurisdiction and depends on the number of eligible properties being used for urban agricultural activities, the assessed value of these properties, and the amount of the tax credit. Local expenditures are not affected.

Small Business Effect: Potential meaningful for eligible small businesses as they would realize reduced property taxes.

Analysis

Bill Summary: “Urban agricultural property” is defined as real property that is at least one-eighth of an acre and not more than two acres in size; located in a priority funding area; and used exclusively for urban agricultural purposes.

Urban agricultural purposes is defined as (1) crop production activities, including the use of mulch or cover crops to ensure maximum productivity and minimize runoff and weed production; (2) environmental mitigation activities, including stormwater abatement and groundwater protection; (3) community development activities, including recreational activities, food donations, and food preparation and canning classes; (4) economic development activities, including employment and training opportunities, and direct sales to restaurants and institutions; and (5) temporary produce stands used for the sale of produce raised on the premises.

Local governments granting the tax credit must evaluate the effectiveness of the credit after three years. If it is determined that the tax credit is ineffective in promoting urban agricultural purposes, the tax credit may be terminated. The tax credit may be extended for an additional five years.

Current Law: None applicable.

Background:

Priority Funding Areas

The State sought to strengthen its efforts to control sprawl, enhance land use, and control pollution with the Priority Funding Areas (PFA) Act. This Act capitalized on the influence of State expenditures on economic growth and development by directing State spending to PFAs. The broad purpose of PFAs is to focus State spending to make the most efficient and effective use of existing infrastructure; preserve existing neighborhoods; and preserve Maryland's fields, farms, and open spaces. The Act established certain areas as PFAs and allowed counties to designate additional areas if they meet minimum criteria. **Exhibit 1** lists the areas initially established as PFAs and areas eligible for county designation. Most State programs that encourage or support growth and development are affected by this Act, including economic development assistance and the construction of public schools, State highways, and water and wastewater facilities. The Act allows funds to be allocated for projects outside PFAs under certain conditions, such as when the project is required to protect public health or safety.

Exhibit 1
Smart Growth – Priority Funding Areas

<u>Areas Initially Established by Law</u>	<u>Areas Eligible for County Designation</u>
Municipalities	Areas with industrial zoning
Baltimore City	Areas with employment as the principal use which are served by, or planned for, a sewer system
Areas inside the Baltimore and Washington beltways	Existing communities within county-designated growth areas which are served by a water or sewer system and which have an average density of 2 or more units per acre
Neighborhoods designated for revitalization by the Department of Housing and Community Development	Rural villages
Enterprise and empowerment zones	Other areas within county-designated growth areas that, among other things, have a permitted density of 3.5 or more units per acre for new residential development
Certified Heritage Areas within county-designated growth areas	

Source: Maryland Department of Planning

Local Fiscal Effect: County and municipal property tax revenues may decrease by a significant amount beginning in fiscal 2011, to the extent the tax credit is granted. The amount of the decrease will vary by jurisdiction and depends on the number of eligible properties utilizing urban agricultural activities, the assessed value of these properties, and the amount of the tax credit, none of which can be reliably estimated. As a point of reference, local property tax revenues will, on average, decrease by \$1,000 for every \$100,000 of taxable assessment eligible for a property tax credit.

Exhibit 2 shows the number of acres in each county within a PFA.

Exhibit 2
Priority Funding Areas – March 2010

County	Total Acres	Acres within PFA	Percent within PFA
Allegany	272,192	35,430	13.0%
Anne Arundel	266,240	97,466	36.6%
Baltimore City	51,712	51,712	100.0%
Baltimore	383,104	133,681	34.9%
Calvert	137,728	17,295	12.6%
Caroline	204,928	7,733	3.8%
Carroll	287,488	35,586	12.4%
Cecil	222,848	39,738	17.8%
Charles	295,104	34,661	11.8%
Dorchester	356,864	13,825	3.9%
Frederick	424,256	56,369	13.3%
Garrett	414,784	10,742	2.6%
Harford	281,856	87,849	31.2%
Howard	161,408	67,252	41.7%
Kent	178,816	10,768	6.0%
Montgomery	316,544	125,195	39.6%
Prince George's	311,296	167,634	53.9%
Queen Anne's	238,208	9,992	4.2%
St. Mary's	231,232	28,917	12.5%
Somerset	209,408	16,495	7.9%
Talbot	172,288	14,523	8.4%
Washington	293,248	45,569	15.5%
Wicomico	241,408	20,903	8.7%
Worcester	302,848	18,811	6.2%
Statewide Total	6,255,808	1,148,146	18.4%

Source: Maryland Department of Planning

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City; Kent, Montgomery, Worcester counties; State Department of Assessments and Taxation; Property Tax Assessment Appeals Board; Department of Business and Economic Development; Maryland Department of Planning; Maryland Department of the Environment; Department of Health and Mental Hygiene; Department of Labor, Licensing, and Regulation; Maryland Department of Agriculture; Department of Legislative Services

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