

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 987 (Senator Klausmeier)
Budget and Taxation

Income and Property Tax Credits - Conservation Easements - NeighborSpace of Baltimore County, Inc.

This bill provides a property tax credit against State, county, and municipal property taxes and a State income tax credit for specified conservation property donated to NeighborSpace of Baltimore County.

The bill takes effect June 1, 2012. The income tax credit is applicable to all taxable years beginning after December 31, 2011; and the property tax credit is applicable to all taxable years beginning after June 30, 2012.

Fiscal Summary

State Effect: General fund revenues may decrease beginning in FY 2013 due to tax credits claimed against the personal income tax. Annuity Bond Fund revenues decrease beginning in FY 2013 to the extent property tax credits are claimed. Expenditures are not affected.

Local Effect: Baltimore County property tax revenues decrease beginning in FY 2013 to the extent property tax credits are claimed. Expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill provides a property tax credit against State, county, and municipal property taxes for a conservation easement donated to NeighborSpace of Baltimore County if the property (1) is located within the urban-rural demarcation line in

Baltimore County; (2) contains fewer than 25 acres; and (3) is accepted and approved by the Board of Directors of NeighborSpace of Baltimore County.

The bill also provides an income tax credit for an easement conveyed to NeighborSpace of Baltimore County if (1) the easement is perpetual; (2) the easement is within the urban-rural demarcation line in Baltimore County; (3) the easement is pertaining to property that is fewer than 25 acres; and (4) the easement is accepted and approved by the Board of Directors of NeighborSpace of Baltimore County. The amount of the income tax credit may not exceed the amount of the State income tax owed or \$5,000. The credit cannot exceed 15 years.

Current Law: Conservation property that is donated to the Department of Natural Resources or the Maryland Environmental Trust and identifies the Department of Natural Resources or the Maryland Environmental Trust as a grantee; and accepted and approved by the Board of Public Works after June 30, 1986, is eligible for a 100% State and local property tax credit on the donated land for 15 years.

Perpetual conservation easements conveyed to the Maryland Environmental Trust and the Maryland Agricultural Land Preservation Foundation are eligible for a 15-year State income tax credit. The amount of the tax credit claimed each year may not exceed the amount of the State income tax owed or \$5,000.

Background: NeighborSpace of Baltimore County is a 501(c)(3) nonprofit corporation that works in partnership with community organizations to identify land that can be protected and used by the community. To date, NeighborSpace has acquired interests in nine properties in Baltimore County that total 26 acres and are valued at approximately \$1.0 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 2013 State budget includes \$921.6 million for general obligation debt service costs, including \$908.1 million in special funds from the Annuity Bond Fund, \$1.6 million in transfer tax revenues, and \$12.0 million in federal funds.

State Revenues: Annuity Bond Fund revenues will decrease beginning in fiscal 2013 to the extent property tax credits are issued for conservation easements donated to NeighborSpace of Baltimore County. The amount of the decrease depends on the

number of conservation easements donated each year and the number of acres of each donated easement. Conservation property is a separate subclass of real property and is valued at a rate equivalent to the highest rate used for agricultural use land. If land is assessed with an agricultural use assessment, the value is \$125 to \$500 per acre. The highest agricultural use assessment is \$500 per acre. The State real property tax rate is \$0.112 per \$100 of assessment.

Income tax credits may be claimed beginning in tax year 2012. Accordingly, general fund revenues may decrease beginning in fiscal 2013. However, the amount of the revenue decrease cannot be reliably estimated and depends on the number of credits claimed for conservation easements donated to NeighborSpace of Baltimore County.

Local Revenues: Baltimore County property tax revenues will decrease beginning in fiscal 2013 to the extent property tax credits are issued for conservation easements donated to NeighborSpace of Baltimore County. The amount of the decrease depends on the number of conservation easements donated each year and the number of acres of each donated easement. The county real property tax rate is \$1.10 per \$100 of assessment for fiscal 2012.

Additional Information

Prior Introductions: None.

Cross File: HB 1276 (Delegate Cardin) - Ways and Means.

Information Source(s): State Department of Assessments and Taxation, Maryland Department of Agriculture, Department of Natural Resources, Maryland Department of Planning, Department of Legislative Services

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