

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

House Bill 223

(Delegates Rosenberg and Cardin)

Ways and Means

Budget and Taxation

Property Tax Credit - Urban Agricultural Property - Applicability

This bill expands the eligibility for a specified property tax credit for urban agricultural property by removing the requirement that a property must be used exclusively for urban agricultural purposes in order to receive the property tax credit.

The bill takes effect June 1, 2014, and applies to taxable years beginning after June 30, 2014.

Fiscal Summary

State Effect: None.

Local Effect: Local property tax revenues decrease beginning in FY 2015 due to the expanded eligibility criteria and to the extent refunds for the tax credit are provided. The amount of the revenue 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 refund.

Small Business Effect: Minimal.

Analysis

Current Law: Chapter 721 of 2010 authorized 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. Urban agricultural property is defined as real property

that is at least one-eighth of an acre and not more than five 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.

No county governments have enacted the property tax credit for urban agricultural property.

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: (1) raising grains, fruit, herbs, melons, mushrooms, nuts, seeds, tobacco, or vegetables; (2) raising poultry (chickens, turkeys, or eggs); (3) dairy (milking cows); (4) horse boarding, breeding, or training; (5) turf farming; (6) raising ornamental shrubs, plants, and flowers, including aquatic plants; (7) aquaculture; and (8) silvaculture.

Agricultural land use rates range from \$125 per acre to \$500 per acre, depending on the land type and use.

Local Fiscal Effect: County and municipal property tax revenues may decrease beginning in fiscal 2015 due to expanded eligibility criteria and to the extent property tax credit refunds are issued. The amount of the revenue 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 any refunds that are issued, none of which can be reliably estimated.

As a point of reference, local property tax revenues will, on average, decrease by approximately \$1,000 for every \$100,000 of taxable assessment eligible for a property tax credit.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City; Caroline, Howard, Montgomery, and Prince George's counties; State Department of Assessments and Taxation; Maryland Department of Agriculture; Department of Legislative Services

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