

Department of Legislative Services  
Maryland General Assembly  
2020 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 1146 (Delegate Stein)  
Ways and Means

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Forest Conservation - Mel Noland Woodland Incentives Fund - Distribution of  
Agricultural Land Transfer Tax Revenue

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This bill (1) requires agricultural land transfer tax revenue from a broader subset of woodland transfers to be deposited in the Mel Noland Woodland Incentives and Fellowship Fund (MNWIFF) and (2) increases the maximum amount of that revenue, plus specified surcharge revenue, which may be deposited in the fund. The bill also expands one of the required uses of the fund. **The bill takes effect July 1, 2020.**

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Fiscal Summary

**State Effect:** Special fund revenues increase overall, beginning in FY 2021, by an indeterminate amount (but equal in magnitude to the local government revenue decrease), as discussed below. In addition, while not having a net effect on overall special fund revenues, up to \$300,000 of special funds shift from the Maryland Agricultural Land Preservation Fund to MNWIFF.

**Local Effect:** Local government revenues decrease, beginning in FY 2021, by an indeterminate amount (but equal in magnitude to the State special fund revenue increase), as discussed below.

**Small Business Effect:** Potential meaningful.

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Analysis

**Bill Summary:** The bill requires that the revenue from the agricultural land transfer tax imposed on transfers of land that are *at least 80%*, instead of *entirely*, woodland be deposited in MNWIFF in the Department of Natural Resources (DNR). The bill also

increases, from \$200,000 to \$500,000, the maximum amount – of agricultural land transfer tax revenue generated from those woodland transfers and revenue from a separate surcharge imposed on instruments of title that transfer title to agricultural land – that can be deposited in MNWIFF each year.

The bill also expands one of the required uses of MNWIFF by requiring the fund to be used to offset the costs of the Forest and Park Service for *encouraging* and *writing* forest stewardship plans *and other forest conservation management plans* on privately owned forest lands.

### **Current Law:**

#### *Agricultural Land Transfer Tax*

Subject to specified exemptions, an agricultural land transfer tax is imposed on an instrument of writing that transfers title to agricultural land. A portion of the tax is retained by the county in which it was collected and a portion is remitted to the Comptroller. Included among the revenue remitted to the State is all of the agricultural land transfer tax revenue generated from land that is *entirely* woodland. The portion of the tax revenue that counties retain depends on whether a county is certified by the Maryland Department of Planning and the Maryland Agricultural Land Preservation Foundation (MALPF) as having established an effective county agricultural land preservation program. Certification allows a county to retain a greater share (75% rather than 33.3%) of agricultural land transfer tax revenue collected in the county from transfers other than those that are entirely woodland.

Up to \$200,000 of the revenue from woodland transfers, along with a separate surcharge imposed on an instrument of writing that transfers title to agricultural land, is deposited in MNWIFF each year. If the woodland transfer and surcharge revenue exceeds \$200,000 in a given year, it is deposited into the Maryland Agricultural Land Preservation Fund, along with the remaining agricultural land transfer tax revenue remitted to the State.

#### *Mel Noland Woodland Incentives and Fellowship Fund*

DNR is required to use MNWIFF for various purposes, including to offset the costs of the Forest and Park Service for developing and approving forest stewardship plans on privately owned forest lands. A “forest stewardship plan” is defined as a document written by a professional licensed forester regarding a parcel of land comprising not less than five contiguous forested acres that lists activities that enhance or improve forest resources, including soil, water, timber, recreation, and aesthetics over a 15-year period.

**State Fiscal Effect:** Special fund revenues increase as a result of the bill's requirement that agricultural land transfer tax revenue from a broader subset of woodland transfers be deposited in MNWIFF. In the absence of the bill, revenue from transfers of land subject to the agricultural land transfer tax that is less than 100% woodland but at least 80% woodland is apportioned between the counties and the State in the same manner as revenue from other agricultural land transfers, but under the bill that revenue is allocated entirely to the State. The extent of the special fund revenue increase cannot be reliably estimated. The amount of agricultural land transfer tax revenue generated from transfers of land that are *entirely* woodland in recent years has fluctuated significantly, ranging from \$306 in fiscal 2011 to more than \$150,000 in fiscal 2019. It cannot be predicted how much additional revenue might be generated from land transferred that is less than 100% woodland but at least 80% woodland.

While not having a net effect on State special fund revenues, the bill's increase in the maximum amount of revenue that may be deposited in MNWIFF, from \$200,000 to \$500,000, shifts up to \$300,000 of funding that otherwise is deposited in the Maryland Agricultural Land Preservation Fund, to MNWIFF. MALPF indicates that loss of funding for its operating budget may result in reduced funding allocated toward agricultural land preservation easement acquisitions or reduced administrative resources allocated toward the easement acquisition process, affecting the length of time needed to complete acquisitions.

**Local Fiscal Effect:** Local government revenues decrease by an indeterminate amount, as described above, as a result of the bill's requirement that agricultural land transfer tax revenue from a broader subset of woodland transfers be deposited in MNWIFF. In the absence of the bill, revenue from transfers of land subject to the agricultural land transfer tax that is less than 100% woodland but at least 80% woodland is apportioned between the counties and the State in the same manner as revenue from other agricultural land transfers, but under the bill that revenue is allocated entirely to the State.

**Small Business Effect:** The bill may have a meaningful effect on small businesses to the extent that it shifts funding from the MALPF program to MNWIFF, limiting funding available for easement acquisitions from small business farms or slowing the acquisition process.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Department of Natural Resources; Comptroller's Office; Maryland Department of Agriculture; State Department of Assessments and Taxation; Garrett County; Maryland Association of Counties; Department of Legislative Services

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