

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 848
Ways and Means

(Montgomery County Delegation)

Budget and Taxation

Montgomery County - Agricultural Land Transfer Tax - Alterations
MC 7-20

This bill alters the Montgomery County agricultural land transfer tax by (1) requiring that revenue derived from the tax be used for agricultural land preservation programs or other programs that support agriculture in the county; (2) prohibiting the tax from applying to a land transfer if the land was subject to the tax at the time of a previous transfer; and (3) requiring that the tax be reduced by 65% if the land was assessed on the basis of any assessment other than the farm or agricultural use assessment for five or more full consecutive taxable years before the transfer. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: None.

Local Effect: Potential increase in Montgomery County transfer tax collections due to the provision that enables the county to collect additional revenues for land transfers involving a five-year lookback period. In addition, Montgomery County general fund revenues decrease by approximately \$500,000 annually beginning in FY 2021, while special fund revenues for county agricultural land preservation increase by a commensurate amount. County expenditures are not directly affected.

Small Business Effect: Minimal.

Analysis

Current Law: In Montgomery County the agricultural land transfer tax may not exceed 6% of the value of the consideration for any transfer of land, excluding improvements

which, while owned by the transferor, has been assessed at any time during the five years preceding transfer on the basis of being actively devoted to farm or agricultural use. The tax must be paid by the transferor of the land.

Local Fiscal Effect: Montgomery County collects approximately \$500,000 annually from the county agricultural land transfer tax, as shown in **Exhibit 1**. These funds are currently deposited in the county’s general fund and used for general county government purposes. Under the bill, these funds must be used for agricultural land preservation programs or other programs that support agriculture in the county. As a result, county general fund revenues will decrease by approximately \$500,000 annually beginning in fiscal 2021, while funding for county agricultural land preservation increase by a commensurate amount.

Exhibit 1
Agricultural Land Transfer Tax Collections
Montgomery County

<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
\$538,000	\$631,000	\$422,000	\$402,500

Source: Montgomery County Government

The bill also reduces from 100% to 65% the offset that is allowed for property that was assessed as a nonagricultural use for five or more years before the land transfer. This provision will allow the county to collect 35% of the transfer tax amount rather than 0% under current law. Montgomery County advises that this may increase transfer tax collections by an indeterminate amount.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Montgomery County; Maryland Department of Agriculture; State Department of Assessments and Taxation; Department of Legislative Services

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