

Support of HB 1282 - Property Tax - Agricultural U

Uploaded by: Colby Ferguson

Position: FAV



Maryland Farm Bureau, Inc.

3358 Davidsonville Road • Davidsonville, MD 21035 • (410) 922-3426

March 1, 2022

To: House Ways & Means Committee

From: Maryland Farm Bureau, Inc.

Re: **Support of HB 1282 - Property Tax - Agricultural Use Assessment - Improvements**

On behalf of our member families, I submit this written testimony in support of HB 1282. This bill adds certain Ag structures to be assessed at the agricultural use tax rate if the structure is used for the manufacture, packaging, storage, promotion, or sale of a value-added agricultural product, including a dairy product, that is derived from ingredients produced on the agricultural land or any associated agricultural land; agricultural alcohol production; or agritourism.

For years now, valued-added farming operations have been able to use their farm buildings to offer agritourism activities as well as retain ownership in their farm commodities and further process to retain more of the margin dollars when sold to the public. In 2021, the State Department of Assessments & Taxation (SDAT) made the decision to start assessing these farm structures as commercial if they were being used for these farm practices. Just last week a horse farm in Howard County got their reassessment notice and their taxes doubled because they also board horses for some families. This bill is to get those assessments back to Ag like they were before last year.

Maryland Farm Bureau Policy:

Farms operating on-farm food processing, alcohol production, and agritourism businesses should be assessed at the agricultural use tax rate.

MARYLAND FARM BUREAU SUPPORTS HB 1282 AND REQUEST A FAVORABLE REPORT

A handwritten signature in black ink, appearing to read 'Colby Ferguson'.

Colby Ferguson
Director of Government Relations

For more information contact Colby Ferguson at (240) 578-0396

HB1282 - Property Tax – Agricultural Use Assessmen

Uploaded by: Dakota Matthews

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Testimony in Support of
House Bill 1282 - Property Tax – Agricultural Use Assessment – Improvements
Ways and Means Committee
March 01, 2022

The Rural Maryland Council supports House Bill 1282 - Property Tax – Agricultural Use Assessment – Improvements. The bill will help agricultural landowners by allowing certain improvements on land that qualifies for the agricultural use assessment to be assessed as agricultural property. These improvements include the manufacturing, packaging, storage, promotion, or sale of value-added agricultural products derived from ingredients produced on the land; agricultural alcohol production; and agritourism. Allowing these parts of the land to be assessed as agricultural land will promote the growth of value-added agriculture activities in Maryland and promote more visitors to these farms, helping the farm owner and the State economy.

Many farmers are beginning to use their land for agritourism and other forms value added agriculture to make additional income or make up for the lack of income they are receiving from their traditional agricultural sales. These improvements to their farms are bringing additional tourism and benefits to the State's economy. Grow and Fortify's *Value-Added Agriculture in Maryland*, reports that value added agriculture provides nearly 74,000 jobs, has an economic impact of over \$20.6 billion annually, and adds nearly \$875 million to the State's fiscal resources.

These farms are operating tasting rooms, retail markets, and other forms of value-added agriculture. Because these operations are being held on agriculture land and using resources from the land, these parts of the land should be properly assessed as being agricultural land.

The Rural Maryland Council respectfully requests your favorable support of House Bill 1282

The Rural Maryland Council (RMC) is an independent state agency governed by a nonpartisan, 40-member board that consists of inclusive representation from the federal, state, regional, county and municipal governments, as well as the for-profit and nonprofit sectors. We bring together federal, state, county and municipal government officials as well as representatives of the for-profit and nonprofit sectors to identify challenges unique to rural communities and to craft public policy, programmatic or regulatory solutions.

"A Collective Voice for Rural Maryland"

HB 1282 - SB 567 - Support - One Pager.pdf

Uploaded by: Matthew Bohle

Position: FAV



BILL – SB 567 - / HB 1282 – Property Tax – Agricultural Use Assessment – Improvements

POSITION: **SUPPORT**

BILL SUMMARY: This legislation requires the State Department of Assessments and Taxation (“SDAT”) to assess certain agricultural improvements as agriculture instead of commercial property. Additionally, entities that have been incorrectly reclassified as commercial will be refunded for the incorrect amount of taxes that they were assessed for and were required to pay.

WHAT IS THE PROBLEM: SDAT has begun assessing value added agricultural improvements as commercial property. This incorrect reclassification has greatly increased taxes on farmers at a time when they can least afford to comply with this tax increase.

WHY SUPPORT SB 567 / HB 1282?

Agriculture faces a myriad of challenges already: climate change, labor shortages, supply chain disruptions, inflation, lost revenue from COVID closures and capacity reductions – higher taxes stemming from an arbitrary decision should not be another problem that our farmers need to contend with.

Critical in this legislation is the focus on agriculture – these improvements are tied to ingredients or crops that are grown or produced on the farm and are subsequently converted into a product related to activity on the farm. Also prominent in this legislation are certain minor agritourism activities that so many Marylanders participate in and love that are also critical to the sustainability and viability of agriculture, such as hayrides, corn mazes, pumpkin patches, pick your own produce and so on. Value-added agriculture and agritourism have become an invaluable way for many farmers to stay afloat.

The fiscal note is relying on tax revenue projections the State has not been and should not be collecting. Even if this Fiscal note is correct, SDAT’s position is tantamount to imposing a new tax on Maryland farmers who are operating on razor thin margins prior to the global pandemic and demonstrates the need for relief. Proceeding with this position will only reduce the number of Maryland farmers and open space in Maryland.

This legislation does not change local zoning. These activities and improvements are only permitted if they are on agricultural-zoned land, and if local zoning permits these activities on agriculture zoned land. If local zoning does not permit large venues or other activities – that will still not be permissible under this bill.

This legislation is necessary to correct the harm that has been incorrectly inflicted on many agricultural entities already – therefore a refund in taxes is included for those entities that have been incorrectly reclassified.

For more information contact: Matthew Bohle or Brad Rifkin at 410.269.5066

HB 1282_UNF_MML.pdf

Uploaded by: Justin Fiore

Position: UNF



Maryland Municipal League
The Association of Maryland's Cities and Towns

TESTIMONY

March 1, 2022

Committee: House Ways and Means Committee

Bill: HB 1282 – Property Tax – Agricultural Use Assessment – Improvement

Position: Oppose

Reason for Position:

The Maryland Municipal League opposes HB 1282 which seeks to assess commercial improvements on agriculturally zoned land differently than everywhere else in the State.

While Maryland cities and towns are proud to support and help market agrotourism and other value-added farm business models, we believe this bill goes well beyond the mom-and-pop farmstand and into a growing set of new commercial activities. It presents a tax-fairness issue that would create an imbalance as they compete with other businesses within our jurisdictions.

With a substantial business model change, it makes sense that the owners' tax liability may change as well. It is also quite natural that this government evaluation would experience some lag as it happened in response to an emerging new use and the fact that SDAT has a rotating assessment schedule.

HB 1282 seeks to redefine certain commercial improvements for the purpose of providing a special tax privilege. Therefore, the League respectfully requests that this committee provide HB 1282 with an unfavorable report.

FOR MORE INFORMATION CONTACT:

Scott A. Hancock	Executive Director
Angelica Bailey	Director, Government Relations
Bill Jorch	Director, Research & Policy Analysis
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HB1282-WM_MACo_OPP.pdf

Uploaded by: Kevin Kinnally

Position: UNF



House Bill 1282

Property Tax - Agricultural Use Assessment - Improvements

MACo Position: **OPPOSE**

To: Ways and Means Committee

Date: March 1, 2022

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **OPPOSES** HB 1282. This bill would require an improvement on land that qualifies for an agricultural use assessment be assessed as agricultural property under specified circumstances. In addition, the bill would unjustly require local governments to grant retroactive tax refunds to reimburse taxpayers for a change in State law.

According to the bill's fiscal note, HB 1282 would slash the assessable base by approximately \$8.2 billion. Local property tax revenues would decrease by \$84.6 million per annum, jeopardizing limited funds for public schools, health, infrastructure, public safety, and other essential services relied upon by the people of Maryland.

MACo is concerned with the carryover county fiscal effects of this legislation and would prefer approaches that provide local autonomy to determine the best way to provide these incentives, rather than those that mandate reductions in local revenue sources.

HB 1282 would require that an improvement located on land that qualifies for an agricultural use assessment be assessed as agricultural property if the improvement is used for: (1) the manufacture, packaging, storage, promotion, or sale of a value-added agricultural product, including a dairy product, that is derived from ingredients produced on the agricultural land or any associated agricultural land; (2) specified agricultural alcohol production; or (3) specified agritourism. Further, the bill specifies that counties must issue refunds for related property taxes paid between January 1, 2021, and June 1, 2022.

In general, MACo stands for local self-determination. Counties, led by their elected leaders who are directly accountable within the community, are in the best position to make decisions on local affairs – ranging from land use to budget priorities. As such, MACo routinely supports legislation which enables counties to authorize local tax exemptions by local ordinance, as opposed to bills which mandate those exemptions across the board.

Many counties are interested in promoting agricultural tourism to support the agricultural industry. Agritourism can be a means to keeping farms profitable during times of low production, and it offers opportunities to highlight Maryland counties' unique agricultural assets. However, the significant costs of this bill are simply untenable. For these reasons, MACo urges the Committee to issue an **UNFAVORABLE** report on HB 1282.

HB1282.docx.pdf

Uploaded by: Director Michael Higgs

Position: INFO

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HEARING DATE: March 1, 2022

BILL: HB1282

TITLE: Property Tax - Agricultural Use Assessment - Improvements

SDAT POSITION: Letter of Information

The State Department of Assessments and Taxation (SDAT) thanks the committee for the opportunity to provide clarification on HB1282 and the procedures SDAT uses to assess property.

SDAT is responsible for the appraisal of real and personal taxable property at market value and certification of these values to local governments. For both real and business personal property, SDAT must establish and implement a continuing method of assessment (Code Tax - Property Article, Title 2), ensuring an accurate, uniform, and equitable system for the assessment of property across the state.

Currently, MD. Tax - Property Code Ann. § 8-101 contains a separate real property subclass for agricultural land (see 8-101(b)(1)). There is no separate subclass currently in the law for agricultural improvements. Currently, qualifying agricultural land is valued at its use-value, which is a maximum of \$500 per acre.

The Department's efforts are to ensure that similar properties are assessed in a similar manner in all counties regarding the valuation of the land used for a wine or beer manufacturing facility along with tasting rooms, dining rooms, banquet facilities, and the associated parking lots.

SDAT has not made any changes to the manner in which buildings located on agricultural land are assessed. All buildings on a parcel of land are valued at their full cash value based upon the actual type, features, and quality of building construction. Buildings located on agricultural land have been assessed in this manner since at least 1974.