



Senate Bill 418

Property Tax - Agricultural Land and Improvements - Assessment

MACo Position: **SUPPORT**
WITH AMENDMENTS

To: Budget and Taxation Committee

Date: February 22, 2023

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS SB 418 WITH AMENDMENTS**. This bill would require an improvement on land that qualifies for an agricultural use assessment to be assessed as agricultural property under specified circumstances.

The fiscal note shows that SB 418 creates a new standard for assessing a large, and fast-growing segment of commercial property. Doing so would slash the assessable base by billions of dollars. Local property tax revenues would decrease massively, jeopardizing limited funds for public schools, health, infrastructure, public safety, and other essential services.

Currently, state law creates a special, statutory scheme for assessing land subject to active agricultural use. This exception sets the value of that land at a “use value” rather than its actual market value under highest and best use, specifically to “encourage farming activities to ... maintain a readily available source of food and dairy products close to the metropolitan areas of the State.” (See Tax-Property, §8-209(a)). SB 418 nominally seeks to extend this similar assessment dictate to improvements on agricultural land even when they support higher intensity uses with some nexus to agriculture.

The extensive definition of activities under the bill, the thin connection between the activities and true active agriculture, and the impractical application of a land valuation to improvements, render the current bill language impossible to follow, giving rise to the enormous fiscal note. MACo has prepared alternative bill language (for ease of reading) attached to this testimony. Counties are willing to work with the Committee and the General Assembly to hone a balanced policy that assesses active agricultural land with its historic preference, reinforces that locally approved value-added agricultural activities should not jeopardize that status, and grants local governments clear tools to create tax incentives for commercial or other activities that are ancillary to active farmlands.

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 a **FAVORABLE WITH AMENDMENTS** report on SB 418.

SB 418/HB 592 Proposed Alternative Bill Language offered by Maryland Association of Counties

(Replace current bill language to read as follows)

Components materially altered from the current bill are highlighted in **Bold Text** below.

(RR) (1) **EXCEPT AS SPECIFIED IN PARAGRAPH (2) OF THIS SUBSECTION**, “VALUE-ADDED AGRICULTURAL ACTIVITIES” MEANS ACTIVITIES ON AN ACTIVELY USED FARM THAT ARE RELATED TO:

- I. AGRICULTURAL ALCOHOL PRODUCTION, AS DEFINED IN §4-214(A) OF THE LAND USE ARTICLE;
- II. AGRITOURISM, AS DEFINED IN § 4-212 OF THE LAND USE ARTICLE;
- III. EQUINE ACTIVITIES, AS DEFINED IN § 2-701 OF THE AGRICULTURE ARTICLE;
- IV. INCREASING THE VALUE OF AN AGRICULTURAL PRODUCT BY PROCESSING, MANUFACTURING, PACKAGING, STORING, SELLING, OR PROMOTING THE AGRICULTURAL PRODUCT, IF THE AGRICULTURAL PRODUCT IS DERIVED FROM INGREDIENTS PRODUCED ON THE FARM OR ANY ASSOCIATED FARMLAND;
- V. ROADSIDE STANDS;
- VI. OTHER AGRICULTURAL USES THAT ARE PERMISSIBLE UNDER LOCAL ZONING; AND
- VII. ANY OTHER ACTIVITIES THAT THE SECRETARY OF AGRICULTURE DETERMINES BY REGULATION ARE VALUE-ADDED AGRICULTURAL ACTIVITIES.

(2) **NOTWITHSTANDING THE ITEMS SPECIFIED IN PARAGRAPH (1) OF THIS SUBSECTION**, “VALUE-ADDED AGRICULTURAL ACTIVITIES” DOES NOT INCLUDE:

- (I) RENTING A FACILITY FOR PRIVATE EVENTS IF THE FACILITY HAS A SEATING CAPACITY OF 200 OR MORE INDIVIDUALS; OR
- (II) ANY ACTIVITY THAT THE LOCAL ZONING AUTHORITY HAS NOT APPROVED FOR LAND ZONED FOR AGRICULTURAL USE.

8-101. (b) Real property is a class of property and is divided into the following subclasses:

(11) IMPROVEMENTS ON AN ACTIVELY USED FARM THAT SUPPORT VALUE-ADDED AGRICULTURAL ACTIVITIES **THAT ARE ANCILLARY TO, AND PRINCIPALLY EMPLOY THE YIELD FROM, THE ACTIVELY USED FARM**, ASSESSED UNDER § 8-209.2 OF THIS TITLE; AND

9-268. (A) THE MAYOR AND CITY COUNCIL OF BALTIMORE CITY OR THE GOVERNING BODY OF A COUNTY OR OF A MUNICIPAL CORPORATION MAY AUTHORIZE, BY LAW, A CREDIT AGAINST THE PROPERTY TAXES DUE ON IMPROVEMENTS ON AN ACTIVELY USED FARM AS DEFINED IN SECTION 8-101 OF THIS ARTICLE.

(B) THE MAYOR AND CITY COUNCIL OF BALTIMORE CITY OR THE GOVERNING BODY OF A COUNTY OR OF A MUNICIPAL CORPORATION MAY PROVIDE FOR, BY LAW, FOR THE AMOUNT, DURATION AND CONDITIONS OF ANY CREDIT PROVIDED UNDER THIS SECTION.