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Budget and Taxation Committee

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Capital Budget

Pensions

Chair, Public Safety,  
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Joint Committee on the Chesapeake and  
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Chair, Joint Subcommittee on  
Program Open Space/Agricultural  
Land Preservation

THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

February 22, 2023

**Testimony in Favor of SB0418**  
**Property Tax - Agricultural Land and Improvements - Assessment**

Chairman Guzzone, Vice-Chair Rosapepe, and members of the Budget and Taxation Committee.

I respectfully request a favorable report of Senate Bill 418, which will clarify that the State Department of Assessments and Taxation (SDAT) should assess certain agricultural improvements as agriculture rather than as commercial properties. At its heart, SB418 is about fairness. Agricultural buildings on working farms, including buildings that support value-added agriculture, should be assessed as agriculture. If Maryland is going to preserve its rich history of supporting farms in order for our farms to in turn support us, we need to ensure tax fairness and economic viability for our agricultural community.

This legislation will sound familiar – last year this Committee heard and the full Senate unanimously passed the legislation in a similar posture. However, issues arose in the House and we amended the legislation into a workgroup to study and report on this issue. That study was conducted over the interim through SDAT with the partnership of Maryland Department of Agriculture and in consultation with different stakeholders in this effort. **It is unfortunate that, despite a number of stakeholder meetings over the interim, the workgroup did not result in any concrete policy solutions.**

Despite this failure to find a solution, the problem remains. Today this Committee will hear from farmers and agricultural small businesses that received an increased tax bill when SDAT reevaluated their value-added agricultural improvements as commercial property. This reclassification has resulted in a significant increase in agricultural taxes at a time when farmers can least afford to comply or satisfy these requirements. SB418 ensures that SDAT recognizes these value-added industries as what they are: agricultural endeavors.

As one of the largest commercial industries in Maryland, the agricultural community comprises nearly 6,000 fulltime farmers and employs approximately 350,000 individuals. The agricultural community's contribution to the Maryland economy cannot be understated. According to the Maryland State Archives, agricultural entities contribute some \$8.25 billion annually to the State's economy.

As it stands, agriculture faces a myriad of challenges: poor harvest seasons, climate change, labor shortages, supply chain disruptions, inflation, and lost revenue from COVID-19 related closures and capacity reductions. It is paramount that higher property taxes – through a sudden change in State policy - do not become another complication that Maryland burdens farmers. This legislation goes on to protect a variety of agricultural entities - including beloved hayrides, corn mazes, pumpkin patches, and produce farms - from reassessment. Potential reassessment of these entities would not only undermine the strong agricultural presence in Maryland, but also limit civilian access to these programs, services, and seasonal activities.

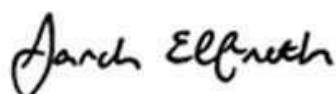
SDAT continues to claim that they have not changed their methodology - yet the agricultural community will share that their assessments have changed. But even if we concede the point that SDAT's methodology hasn't changed, then this legislation remains important as we, as a State, need to make a concerted policy decision as to how we are going to use our tax system to further preserve agriculture as the industry at-large transitions more towards value-added based industry.

SB 418 requires the State Department of Assessments and Taxation to recognize these value-added industries as what they are – agricultural endeavors. Farm breweries, wineries, distilleries, creameries and others have emerged as a way for agriculture to further support themselves through the fruits of their labor – turning the barley they grow into beer, or the grapes they grow into wine, or wheat into distilled spirits.

Recognizing that we do not want to wreak havoc on our local partners or create unforeseen consequences, SB 418 is precise in its definitions of the type of value-added agricultural projects we are seeking to encourage via our tax code. **We have worked with our local partners to ensure local zoning prevails, to narrowly define value-added agricultural activities, to ensure that large wedding venues are not included in the legislation - and most importantly - to ensure that the improvements have to be on an actively used farm.**

I urge this committee to protect agriculture and adopt a favorable report on SB 418.

Sincerely,

A handwritten signature in black ink that reads "Sarah Elfreth". The signature is written in a cursive, flowing style.

Sarah Elfreth