

Department of Legislative Services  
Maryland General Assembly  
2019 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 1350  
Ways and Means

(Delegate Clark, *et al.*)

Budget and Taxation

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Property Tax Assessments - Conservation Property - Alteration of Definition

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This bill alters the definition of conservation property for property tax assessment purposes by including certain land subject to a perpetual conservation easement that is sold or donated (1) to the Maryland Agricultural Land Preservation Foundation (MALPF); (2) to a specified land trust; or (3) under another public land conservation or preservation program. **The bill takes effect June 1, 2019, and applies to taxable years beginning after June 30, 2019.**

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Fiscal Summary

**State Effect:** Annuity Bond Fund revenues decrease beginning in FY 2020. This decrease may require either (1) an increase in the State property tax rate or (2) a general fund appropriation to cover debt service on the State's general obligation bonds.

**Local Effect:** Local property tax revenues decrease beginning in FY 2020. Expenditures are not directly affected.

**Small Business Effect:** Minimal.

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Analysis

**Current Law:** For purposes of assessing conservation property for State and local property taxes, conservation property includes land that is (1) unimproved; (2) not used for commercial purposes; and (3) subject to a perpetual conservation easement. The perpetual conservation easement must be donated to the Department of Natural Resources (DNR) or the Maryland Environmental Trust (MET) and identify DNR or MET as a grantee and

accepted and approved by the Board of Public Works. Conservation property also includes land that was granted a specified property tax credit.

Conservation property is valued at a rate equivalent to the highest rate that is used to value land that is eligible for an agricultural land use assessment. Conservation property is not required to be actively used for farm or agricultural purposes to receive this special valuation. The State Department of Assessments and Taxation reports that conservation property is valued at \$500 per acre.

**Background:** The General Assembly created MALPF to preserve productive agricultural land and woodland, limit the extent of urban development, and protect agricultural land and woodland as open space. MALPF, with the assistance and cooperation of landowners and local governments, purchases development rights easements as a means of protecting agricultural land and woodland production activities. The easement value is determined by subtracting the agricultural value from the appraised fair market value of the property. Once the development rights have been sold, the property is perpetually protected from further development, with certain rights available only to the owners who originally sold the easement. As of fiscal 2018, MALPF held a total of 2,302 conservation easements, totaling 312,787 acres, as shown in **Exhibit 1**.

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**Exhibit 1**  
**Total MALPF Easements**  
**Fiscal 2018**

<u>County</u>	<u>Easements</u>	<u>Acreage</u>
Allegany	12	1,590
Anne Arundel	44	5,519
Baltimore City	0	0
Baltimore	231	23,994
Calvert	35	4,715
Caroline	224	32,731
Carroll	371	43,888
Cecil	102	15,225
Charles	60	9,060
Dorchester	91	14,476
Frederick	143	21,755
Garrett	57	6,953
Harford	136	14,455
Howard	32	4,059
Kent	107	20,333
Montgomery	31	4,754
Prince George's	18	1,651
Queen Anne's	174	29,781
St. Mary's	118	11,947
Somerset	50	5,728
Talbot	78	12,082
Washington	82	13,474
Wicomico	59	7,363
Worcester	47	7,254
<b>Total</b>	<b>2,302</b>	<b>312,787</b>

Source: Maryland Agricultural Land Preservation Foundation

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**State Fiscal Effect:** Annuity Bond Fund revenues decrease beginning in fiscal 2020. The amount of the decrease depends on the number of acres of agricultural land that becomes eligible for a conservation land use assessment.

Under current law, agricultural land that is actively farmed, whether it is subject to a conservation easement or not, is eligible for an agricultural land use assessment of \$500 per acre. However, if the land is not actively farmed, even if it is subject to a conservation easement through MALPF or a local preservation or conservation program, it is not eligible for the agricultural or conservation land use assessment. Pursuant to this bill, agricultural

land subject to an easement that is no longer actively farmed will continue to receive a special land use assessment of \$500 per acre. The number of acres and value of land that the bill would apply to is unknown and as a result, the actual impact on State property tax revenues cannot be reliably estimated.

**Local Fiscal Effect:** Local property tax revenues decrease beginning in fiscal 2020. The amount of the decrease depends on the numbers of acres of agricultural land that become eligible for a conservation land use assessment.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Montgomery County; City of Bowie; Maryland Department of Agriculture; Maryland Department of the Environment; Department of Natural Resources; Maryland Department of Planning; Board of Public Works; State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - March 11, 2019  
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