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Maryland Farmland Conservation: Supporting Sustainable Use of Land through Tax Policy

Environmental Law Institute
2008

HCAE Pub 2008-04

Maryland Farmland Conservation: Supporting Sustainable Use of Land through Tax Policy

Report Prepared for the Harry R. Hughes Center for Agro-Ecology

2008

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ACKNOWLEDGEMENTS

Financial support for the analysis was provided by a grant from the US Department of Agriculture – CSREES, Special Projects, administered through the Harry R. Hughes Center for Agro-Ecology, Inc. of the University of Maryland. ELI's review of Maryland agriculture and taxation policy also received support from the Abell Foundation and the Keith Campbell Foundation

Thanks to Donald Buysse, Michael Dudkin, Jeff Horan, Stephanie Minogue, Daniel R. Rider, David Roose, Daniel Rosen, Kevin Schmidt, Eric Seifarth, Hank Sikorski, Robert Smith Jr., and Barry Tyler Wilson for information and assistance, as well as to the staff of the Comptroller of Maryland, Bureau of Revenue Estimates; local tax billing and collection offices of Maryland; Maryland Agricultural Land Preservation Foundation; Maryland Department of Assessments and Taxation; Maryland Department of Legislative Services; Maryland Department of Natural Resources, Forest Service; Maryland Department of Planning; National Agricultural Law Center; United States Department of Agriculture, Census Planning Branch; United States Department of Agriculture Forest Service, Northern Research Station; Washington County Planning Department.

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Maryland's population is increasing rapidly while the state continues to lose its agricultural lands. Since 1950, Maryland has lost more than half of its farmland to developed uses. Statewide farmland loss between 1987 and 1997 was 0.46 acre per additional Maryland resident. Between 1997 and 2002, statewide farmland loss was 0.33 acre per additional resident; 13 of Maryland's 23 counties lost farmland at a higher per capita rate.

This study explores Maryland's primary tax measures affecting agriculture, the agricultural use assessment (AUA) and the agricultural land transfer tax (ATT), in order to determine whether these related tax programs could be improved in ways that would encourage farmland protection while continuing to benefit farmers' bottom lines.

The agricultural use assessment law authorizes the assessment of land "actively used for farm or agricultural use" at the land's use value rather than at its fair market value, thus reducing the annual state and local property taxes paid by landowners. Whenever farmland assessed under the AUA is sold, the state imposes an agricultural land *transfer tax* on the value of the transfer unless the land remains in agricultural use after the sale. The ATT rate is 5% of the sale price of land when the land being sold is greater than or equal to 20 acres; 4% when the land is less than 20 acres in size; and 3% when the tract is less than 20 acres and includes site improvements. Counties remit to the Comptroller all revenue collected from the transfer of parcels that are entirely woodland and that revenue is used for woodland preservation. Counties that have certified Agricultural Land Preservation Programs remit one quarter of the balance of the revenue to the state, using the remaining three quarters for local farmland preservation. Montgomery County remits one third, retaining two-thirds. Counties without certified Agricultural Land Preservation Programs must remit to the Comptroller two-thirds. The state share of ATT revenues is designated for various uses including farmland preservation through the Maryland Agricultural Lands Preservation Foundation (MALPF). Newly enacted state legislation in 2008, for which we provided some statistical information, imposes a further 25 percent surcharge on the existing ATT and directs the additional revenue to the state for MARBIDCO (for agriculture-related economic development) and for MALPF, but not to the counties. This legislation, effective July 2008, makes the effective ATT rate 6.25%, 5%, and 3.75 %, and may result in some reductions to county ATT receipts because of sensitivity to the higher effective rate.

We examined the benefits of the AUA accruing to landowners, revenue costs to county governments and the state government, and the implications of possible changes to the ATT. Using several methodologies to establish fair market value for farmland, we applied historical state and county property tax rates for each year to the land's fair market value and to the AUA value. Annual tax savings to farmers range from $13 to $98 per acre, with landowners saving on average, 91% of their potential state and county property tax bills. The savings results in a meaningful benefit to farmland owners, in the thousands of dollars per Maryland farm per year. Property tax revenues forgone by the

state due to the program are approximately $9.5 million per year, and revenues forgone by individual counties range from $1.5 million to over $11 million per year, aggregating over $106 million per year across all Maryland counties.

We found that agricultural land that sold for development purposes between 1987 and 2005 generally sold at significantly higher prices than did farmland that was valued at or sold for other purposes. Because only those parcels taken out of agriculture are subject to the ATT, payment of the ATT on the purchase price does not substantially depress the value of farmland generally. These results suggest that increases in the ATT could be supported while not impairing the benefits received by farmers under the AUA or affecting the value of land sold for agriculture. Our results suggest further potential modifications to the tax treatment of agricultural lands that would maintain benefits for all Maryland farms remaining in agricultural use, while improving the performance of the tax structure in preserving agricultural lands and generating public benefit. We offer the following recommendations:

1) Increase the agricultural land transfer tax rate by an additional 0.5 - 2 percentage points and distribute the revenue from the increase to counties; *or* authorize those Maryland counties experiencing farmland loss to levy a *county* agricultural land transfer tax in that amount. Because farmland conversions are occurring at the fastest rate at the urban fringe, where farmland market values are generally high, the increased tax (whether state or county) will have the greatest effect on those counties whose landowners gained the most benefit from the AUA.

2) Close the loophole in the agricultural land transfer tax allowing limited liability corporations to avoid payment of the tax. (We were not able to document the magnitude of this tax avoidance approach because of gaps in the data, and because this avoidance technique does not result in reassessment).

3) Maintain the agricultural use valuation only for farms that have complied with Maryland nutrient management and other requirements in order to reinforce the public benefit side of the program, and meet the water quality objectives of the Agricultural Stewardship Act of 2006.

Maryland Farmland Conservation:
Supporting Sustainable Use of Land Through Tax Policy

I. Introduction and policy context

Land use changes are profoundly affected by economic factors including state and local tax policy. Maryland's ability to sustain its vision of smart growth and to retain farms and forests in the face of growing population cannot rely solely on regulatory means or conservation easement and land acquisition policies. While these methods are important, state and local decisions on taxation can reinforce or countervail these policies. The taxation of agricultural land is an important component of the policy landscape, as several high-level commissions have recently noted.

Agriculture is a major land use in Maryland, comprising over 2 million acres of privately owned lands. However, Maryland has lost more than half of its farmland since 1950.[1] Another 500,000 acres of farms, forests, and other open spaces in Maryland will be developed within the next 25 years if current trends continue.[2] While Maryland policymakers have developed and implemented a suite of policies directed at retaining Maryland farmland, other research results have demonstrated that "drastic action" is needed to retain remaining agricultural and other resource lands in the state.[3]

This study explores Maryland's primary tax measures for agriculture – the agricultural use assessment and the agricultural land transfer tax. It identifies modifications to the agricultural land transfer tax that should support the retention of farmland while continuing to support farmers maintaining the agricultural use of their lands. This study was undertaken to supply policymakers with information at a time when state politics are active on agricultural issues. In the Chesapeake 2000 Agreement with EPA and the other Bay states, Maryland agreed to review its tax policies to identify elements which discourage sustainable development practices or encourage undesirable growth patterns and to "promote the modification of such policies and the creation of tax incentives which promote the conservation of resource lands and encourage investments consistent with sound growth management principles."[4]

In 2005, the General Assembly appointed the Agricultural Stewardship Commission to examine ways to sustain Maryland agriculture. The Commission developed recommendations in January 2006, and bills to implement its recommendations were introduced to provide additional funding for water quality cost shares, cover crops, manure transport, and for the Maryland Agricultural Land

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[1] United States Department of Agriculture, National Agricultural Statistics Service, available at http://www.nass.usda.gov/QuickStats/PullData_US.jsp (Last accessed February 18, 2008).

[2] Blankenship, Karl (1997). Maryland Enacts Sweeping Growth Management Law, *Bay Journal, (7)* 3. Available at http://www.bayjournal.com/article.cfm?article=1786 (Last accessed May 8, 2008).

[3] L. Lynch, Palm, Lovell and Harvard (2007). Using Agricultural and Forest Land Values to Estimate the Budgetary Resources Needed to Tripling Maryland's Preserved Acres. Report submitted to the Harry Hughes Center for Agro-Ecology, Inc.

[4] Chesapeake 2000 Agreement, *available at* http://www.chesapeakebay.net/content/publications/cbp_12081.PDF at 9. (Last accessed May 15,2008).

Preservation Foundation (MALPF) and the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO). The General Assembly enacted the Agricultural Stewardship Act in April 2006. This final legislation created an *Incentives for Agriculture Task Force* (Task Force) to review the report and final recommendations of the Agricultural Stewardship Commission and to

> Review and evaluate the overall State tax structure as it impacts agriculture and the feasibility of modifications or alternatives to the current structure that would enhance the profitability of farming, including…the existing tax incentives related to land conservation and preservation programs.[5]

The Task Force was also charged with examining numerous other tax issues under the legislation, based chiefly on recommendations that had been presented by the Maryland Agricultural Commission's Strategic Planning Process that had produced its strategic plan that same year.[6] The Agricultural Stewardship Act also directed the Task Force to evaluate "any modification to the current State tax structure that would help farmers to be better stewards of the land while maintaining the economic viability of farming in the State, including tax incentives for the utilization of best management practices associated with the improvement of water quality."[7]

Published in October 2007, the final recommendations of the *Incentives for Agriculture Task Force* were limited. The Task Force called for a refundable or transferable income tax credit for donation of conservation easements and $5 million in funding to MARBIDCO for the Next Generation Farmland Acquisition Program (but offered no means to pay for these); abolition of Maryland's estate tax on farm properties and of the county amusement tax on farm-based amusements; a dedicated source of funding for response to forest health emergencies; and various incentives for the production of biofuels. The Task Force recommended that "the agricultural use assessment law" be "continued as a proper and fair way to assess farmland."[8]

In 2008, the General Assembly enacted a state surcharge on the Agricultural Lands Transfer Tax, described below.

II. Maryland farmland and population growth

Concern over the conversion of Maryland's agricultural land to developed uses is supported by statistics on changes in land use and population. Maryland's population is

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[5] Acts 2006, Ch. 289, § 11(f)(2).
[6] See Maryland Agricultural Commission, A Statewide Plan for Agricultural Policy and Resource Management, *available at* http://www.farmlandinfo.org/documents/30953/Md_Statewide_Strategic_Plan_06_2006.pdf (Last accessed May 8, 2008).
[7] Acts 2006, Ch. 289, § 11(f)(3).
[8] For additional information on the Incentives for Agriculture Task Force, *see* http://www.msa.md.gov/msa/mdmanual/26excom/defunct/html/01agin.html (Last accessed May 8, 2008).

projected to increase by an estimated 32.6% between 2000 and 2030.[9] Data on the acreage of privately owned agricultural and forest land (collectively referred to as "farmland" in this paper) in Maryland are not wholly consistent. This study uses data from two sources that, in effect, provide low and high end estimates of privately owned farmland, respectively: the United States Department of Agriculture's National Agricultural Statistics Service (NASS) and the Maryland Department of Planning (MDP).[10]

Table 1 displays county-level farmland and population statistics from the NASS and the United States Census Bureau. The United States Census of Agriculture is the leading source of statistics on United States' agricultural production; it is the standard data source for economic analysis concerning agricultural lands.[11] Every five years, a census of "agricultural places" that produce and sell at least $1,000 of agricultural products per year is conducted via a mail survey. As part of the census, NASS reports acreage of "land in farms," which is comprised primarily of agricultural land used for crops, pasture, or grazing. "Land in farms" also includes wasteland and woodland not under cultivation or used for pasture or grazing if it is part of the farm operator's total operations; and, since 1997 acres in the Conservation Reserve and Wetlands Reserve Programs. Large acreages of woodland or wasteland held for nonagricultural purposes were deleted during survey processing.[12]

Because of changes in methodology, the NASS census requires care when comparing historic data. First, farms with all acreages enrolled in the Conservation Reserve Program or the Wetlands Reserve Program are counted as farms in the 1997 and 2002 census tabulations, but were not included in the NASS tabulations in 1987 and 1992.[13] Second, only state-level coverage adjustment weights were applied by NASS to the raw "land in farms" acreages in the 1987 and 1997(I) census, while county-level coverage adjustments were calculated and applied to the raw acreages in the 2002 and the 1997(II) census.

Therefore, for purposes of analysis in this paper, the county-level farmland and population statistics are considered for two separate periods to maintain consistency with comparable datasets. Table 1.A contains farmland and population statistics between

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[9] United States Census Bureau. *Interim Projections: Change in Total Population and Population 65 and Older, by State: 2000 to 2030.*

[10] The NASS Census of Agriculture excludes large acreages of woodland and "wasteland" held for nonagricultural purposes, and the MDP data include both publicly and privately held agricultural and forest land.

[11] *See* The U.S. Census of Agriculture, *available at* http://agcensus.mannlib.cornell.edu/introduction.php#uses (Last accessed May 8, 2008).

[12] *See* http://www.nass.usda.gov/census/census97/atlas97/glos_int.pdf at 3 (Last accessed May 8, 2008).

[13] This does not significantly impact the comparability of 1987 and 1997 data as there were relatively few farms enrolled in these programs in 1987. According to MPV, there were 5105 acres, or 81 farms, enrolled in the Conservation Reserve Program in Maryland in 1987. Also *see* http://agcensus.mannlib.cornell.edu/introduction.php#uses (Last accessed May 8, 2008).

1987 and 1997(I); and Table 1.B contains farmland and population statistics between 1997(II) and 2002.[14]

The first column in each table shows the acreage of farmland lost for each additional person added to the county's (and state's) population during the period.

Table 1. A : Change in farmland and population between 1987 and 1997(I).[15]

County & State	Change in farmland acres per capita population increase	Change in population (US Census Bureau)	Change in farmland acres (NASS)
Kent	-9.13	1,761	-16,071
Garrett	-5.69	2,431	-13,834
Caroline	-5.08	4,228	-21488
Somerset	-2.23	4,260	-9,482
Worcester	-1.42	8,138	-11,571
Washington	-1.20	9,354	-11,237
Wicomico	-0.58	8,409	-4,886
St. Mary's	-0.53	16,344	-8,603
Charles	-0.51	22,790	-11727
Maryland	**-0.46**	**527,356**	**-241,754**
Frederick	-0.45	44,929	-20423
Baltimore	-0.38	44,529	-17011
Queen Anne's	-0.35	7,869	-2,720
Calvert	-0.32	24,444	-7801
Howard	-0.21	68,048	-14,195
Montgomery	-0.21	125,344	-26,111
Carroll	-0.20	32,820	-6565
Prince George's	-0.20	74,995	-14,736
Anne Arundel	-0.13	57,676	-7734
Harford	-0.12	47,720	-5,836
Cecil	-0.08	13,721	-1159
Talbot	0.13	4,087	540
Allegany	<loss/loss>	-2,817	-7013
Dorchester	<loss/loss>	-1	-2091

[14] 1997(I) and 1997(II) are two versions of the 1997 census data that were adjusted by NASS to bridge earlier and later census data. 1997(I) is comparable to the 1992 and 1987 census data. 1997(II) is comparable to the 2002 census data.

[15] Tables exclude Baltimore City, which has no farmland reported.

Table 1. B : Change in farmland and population between 1997(II) and 2002.

County & State	Change in farmland acres per capita population increase	Change in population (US Census Bureau)	Change in farmland acres (NASS)
Garrett	-21.73	478	-10,385
Allegany	-3.38	1,352	-4,565
Talbot	-3.37	1,606	-5,415
Queen Anne's	-2.88	3,881	-11,190
Carroll	-1.66	12,456	-20,619
Cecil	-0.97	9,601	-9,330
Harford	-0.90	14,899	-13397
Kent	-0.88	603	-533
Frederick	-0.85	26,056	-22,217
St. Mary's	-0.84	4,480	-3,767
Wicomico	-0.53	6,826	-3,587
Calvert	-0.45	11,545	-5,242
Charles	-0.36	12,889	-4,592
Maryland	**-0.33**	**348,435**	**-115,433**
Washington	-0.18	7,420	-1,308
Baltimore	-0.17	48,796	-8,252
Howard	-0.13	31,096	-3,919
Prince George's	-0.07	55,975	-3,795
Montgomery	-0.05	79,309	-4,191
Anne Arundel	-0.04	32,139	-1,220
Somerset	0.22	1,010	226
Caroline	2.66	865	2,298
Worcester	2.84	5,850	16,625
Dorchester	4.86	605	2,942

The statewide average farmland loss between 1987 and 1997 was 0.46 acre per person (approximately one acre for each additional household), and nine Maryland counties lost farmland at a higher per capita rate (while two lost both population and farmland, and one gained farmland). Between 1997 and 2002, the statewide average farmland loss was 0.33 acre per person, approaching one acre for each additional household, and 13 counties – the majority – lost farmland at a higher per capita rate. Four

counties gained farmland in this period. Some of these gains may reflect changes in the methodology from losses reported in the prior period.

III. Agricultural use assessment program and agricultural land transfer tax

In 1956, Maryland became the first state to enact a law allowing preferential taxation of farmland. Administered by the Maryland State Department of Assessments and Taxation (DAT), the agricultural use assessment (AUA) law authorizes the assessment of farm and wood land "actively used for farm or agricultural use" at the land's use value rather than at fair market value.[16] Enrollment in the AUA program is voluntary, and offers landowners considerable savings in property taxes. The purpose of this law is to ensure that "the assessment of farmland: (1) be maintained at levels compatible with the continued use of the land for farming; and (2) not be affected adversely by neighboring land uses of a more intensive nature."[17]

State regulations and formal procedures published by the DAT delineate specific criteria for determining whether land is "actively used" for agriculture. Criteria include the land's productivity, including timberlands and reforested lands, the present and past use of the land, the zoning of the land, and the income generated from the agricultural activity.[18] The land used for a home site on the farm is assessed at its market value. There are several restrictions for applying the AUA to small parcels. To receive the AUA on parcels under 20 acres in size or not zoned for agricultural use, the owner must affirm that the agricultural use of the land produces at least $2,500 per year, unless certain circumstances prevent revenue flows (such as drought, newly instituted operations, or old age of the owner). In addition, parcels of farmland less than three acres in size are ineligible for the AUA unless the parcel is owned by an owner of an adjoining parcel that is receiving the AUA, the owner derives more than 50% of his/her gross income from the active agricultural use, or the parcels comprise a family farm unit.[19] Woodland is eligible to receive the use assessment when it is part of a larger parcel that is determined to be actively used for agricultural purposes. Separate tracts of woodland greater than 5 acres in size (excluding the home site) may receive the AUA if the property owner develops a Forest Conservation and Management Agreement (FCMA).[20]

The researchers obtained data from the Maryland Property View (MPV) database on the acreage of farmland receiving the AUA in Maryland in 2001, 2005, and 2006. This information is displayed in Table 2. Note that the farmland participating in AUA valuation substantially exceeds the "land in farms" as determined by the USDA's Census of Agriculture.

[16] Md. Code Ann., Tax-Property §8-209 (c).
[17] Md. Code Ann., Tax-Property §8-209 (b)(1); §8-209(b)(2).
[18] Md. Code Ann., Tax-Property §8-209 (e)(2).
[19] Md. Code Ann., Tax-Property §8-209 (h)(1)(iii).
[20] Md. Code Ann., Tax-Property §8-209 (h)(1)(v).

Table 2. Acreage of farmland valued for tax purposes under the AUA.

County	2001	2005	2006	Change in acreage receiving AUA between 2001 and 2006
Allegany	96,644	94,513	95,035	-1,609
Anne Arundel	56,508	52,093	51,878	-4,630
Baltimore	125,065	120,758	119,567	-5,498
Calvert	53,595	51,715	51,233	-2,363
Caroline	160,392	158,424	157,736	-2,656
Carroll	179,705	209,673	173,161	-6,544
Cecil	120,406	117,296	115,354	-5,051
Charles	135,139	125,036	124,189	-10,950
Dorchester	197,010	203,594	200,931	3,921
Frederick	248,512	243,300	241,685	-6,827
Garrett	184,218	187,064	189,045	4,827
Harford	120,292	116,010	115,418	-4,874
Howard	44,959	41,855	41,160	-3,799
Kent	148,391	148,231	147,749	-642
Montgomery	85,764	80,174	79,343	-6,421
Prince Georges	7,080	47,592	44,976	-12,104
Queen Anne's	184,730	183,295	182,763	-1,968
St. Mary's	105,718	134,844	104,206	-1,512
Somerset	120,087	115,413	115,431	-4,656
Talbot	130,463	129,464	129,178	-1,285
Washington	154,834	152,667	153,944	-891
Wicomico	146,087	139,589	138,930	-7,156
Worcester	198,199	190,395	189,312	-8,887
Maryland	**3,053,799**	**3,042,995**	**2,962,225**	-91,574

Most, if not all, Maryland farmland is valued for tax purposes under the AUA. Both revenue officials and the Maryland Farm Bureau report that virtually all agricultural land is enrolled in the program.[21]

[21] The available data support this observation, but are anomalous because of differing definitions of farmland. Indeed, comparing NASS farmland in 2002 to the total acreage receiving the AUA in 2001 shows that 147 percent of "land in farms" (as reported by NASS) is enrolled in the AUA. Even excluding forest land with management plans and marshland from the AUA enrollment acreages (possible using state DAT AUA data for 2006), still seems to shows 133% percent participation in the AUA; the AUA lands evidently include lands that are not actively in farming or that are regarded as woodland for NASS purposes.

Maryland's AUA law does not have a requirement for recapture of back taxes at fair market valuation when the land is removed from agriculture. Instead, the state imposes an agricultural land transfer tax (ATT) that is applied to the sale price of land that has been taxed under the AUA, unless the land remains in agricultural use after the sale. The ATT rate is 5% of the sale price of land that received the AUA when the land being sold is greater than or equal to 20 acres; the rate is 4% when the land is less than 20 acres in size; and the rate is 3% when the tract is less than 20 acres and includes site improvements such as well and septic.[22] The tax is imposed on the written instrument conveying the title, and not on the buyer or seller. Therefore, the economic burden of the tax is negotiated between the two parties.

Counties remit to the Comptroller all revenue collected from the transfer of parcels that are entirely woodland.[23] Counties other than Montgomery County and those without certified Agricultural Land Preservation Programs remit to the Comptroller two-thirds of the balance of the revenue from the ATT that remains after the transmittal of the ATT from woodland parcels.[24] Counties with certified Agricultural Land Preservation Programs[25] must remit one quarter of the balance of the revenue to the state, using the remaining three quarters for local farmland preservation. Prior to July of 2008, the Comptroller deposited up to $200,000 annually into the Woodland Incentives Fund (using the ATT revenue from transfers of parcels of land that are entirely woodland only), and state ATT revenue in excess of $200,000 was appropriated to the Maryland Agricultural Land Preservation Foundation (MALPF), which purchases easements on existing farms.[26]

Recent amendments to the Maryland Tax-Property code, effective July 2008, impose a 25% surcharge on the ATT determined by DAT.[27] All counties must remit to the state Comptroller the entire 25% surcharge.[28] In addition, the amendments alter the allocation of revenue from the state ATT share and surcharge. Funding is now dispensed in the following order, as available: $200,000 to the Woodland Incentives Fund; $2.5 million to the MALPF; 37.5% and up to a maximum of $4 million to the MARBIDCO Next Generation Farmland Acquisition Program; $4 million into a special fund to be used by MARBIDCO for a program facilitating installment purchase agreements for easement purchases that have been approved by MALPF; and any remaining funds are distributed to MALPF.[29] If sufficient revenue is not collected in any fiscal year to provide a total of $4 to MARBIDCO for IPA program, deficiencies will be made up by revenues otherwise

[22] Md. Code Ann., Tax-Property §13–303 (a).
[23] Md. Code Ann., Tax-Property §13–306 (a) (1)(i)
[24] Md. Code Ann., Tax-Property §13–306 (a) (1) (ii). Montgomery County is required to remit 1/3 of the balance of revenue, and Counties with Agricultural Land Programs are required to remit ¼ of the balance of revenue from the ATT that remains after the transmittal of the ATT from woodland parcels. Md. Code Ann., Tax-Property §13–306 (a) (2) (ii); and Md. Code Ann. Tax-Property §13–306 (b)(2), respectively.
[25] Sixteen out of twenty-three Maryland counties currently have certified Agricultural Land Preservation Programs. *See* Table 12 in Appendix B.
[26] Md. Code Ann., Tax-Property §13–306 (a)(3)(ii).
[27] Md. Code Ann., Tax-Property §13–301 (D)(1). Acts 2008, Ch. 610. The research team provided information to the General Assembly.
[28] Md. Code Ann., Tax-Property §13-306 (a)(1)(i)(2); and §13-306 (a)(2)(i)(2).
[29] Md. Code Ann., Tax-Property §13-306 (a)(3) et al.

required to be distributed to MALPF.[30] For each fiscal year after 2009, the amount of revenue distributed to MALPF is to be increased by 5% over the amount distributed the preceding fiscal year. [31]

Counties in Maryland are prohibited from levying a county ATT unless the legislature enacts a statute granting specific authorization. Washington County is the only county in Maryland with authorization to impose a county agricultural land transfer tax in addition to the state ATT.[32] Since 2000, Washington County has collected a county ATT in the amount of 2% of the sales price used to determine the state ATT. The tax revenue must be used for the purchase of development rights on agricultural land under the county or MALPF agricultural preservation program.[33]

There are two ways to avoid payment of the ATT on agricultural land receiving the AUA valuation. The purchaser may avoid paying the ATT by filing a Declaration of Intent specifying that the land will remain active in agricultural use for at least five consecutive taxable years.[34] A failure to retain the agricultural use during the five year period results in a requirement to pay the ATT plus a penalty. Alternatively, an owner may remove the land from the use assessment program and pay real property taxes on the land as assessed at fair market value in each of the following years. For each year that property taxes are paid on the market value assessment, the amount of the ATT due on a subsequent transfer is reduced by 25%.[35] Therefore, after four years, no ATT is due on a sale of the land, even if it leaves agricultural use.

Annual state and county revenues from the ATT have ranged from $10.9 million in 2000 to a high of $22.9 million in 2005, to $13.8 million in 2007.[36]

IV. Tax savings to farmers and tax revenues forgone

The primary goal of the AUA is to support the economic feasibility of farming by reducing operating costs and increasing profitability.[37] Links between property tax reduction programs and farmland development have been debated in the literature. Malme(1993) found that "There is general consensus in published research that the economic incentive offered by lower property taxes has had minimal effect in preventing conversion of farmland to more intensive uses. In urbanizing areas, the tax reductions have not matched the profits available from subdivision or development. At best, tax reduction may retard or delay development and make ownership less burdensome for

[30] Md. Code Ann., Tax-Property §13-306 (a)(4)(I).
[31] Md. Code Ann., Tax-Property §13-306 (a)(5).
[32] Md. Code Ann., Tax-Property §13–502 (a)(2).
[33] Md. Code Ann,. Tax-Property §13–503 (c).
[34] Md. Code Ann., Tax-Property §13–305 (a).
[35] Md. Code Ann., Tax-Property §13–303 (c).
[36] Data provided by DAT.
[37] Kashian, Russell. (2004). State Farmland Preferential Assessment: A Comparative Study. *Journal of regional analysis and policy, 34* (1).

those who wish to continue in farming or retain substantial land holdings."[38] However, Gardner (1994) found that decreases in the average property tax collected per acre significantly influenced the rate of farmland loss in 42 metropolitan counties across 15 states over a 23 year period. Interestingly, the study concluded that the presence of roll-back provisions (payment of back taxes upon conversion out of agriculture) or limitations on eligibility appeared to have no impact on farmland change.[39] More recently, Lynch and Carpenter (2003) found that the existence of a preferential taxation program decreased the five year rate of farmland loss by an average of 3.84% in counties across six mid-Atlantic states.[40]

In this analysis we examine the benefits of the AUA accruing to individual landowners, costs to county governments and the state government, and the implications of possible changes to the ATT. To ease the comparison of values over time, all dollar values reported and used in data manipulations herein have been converted to 2002 dollars according to the United States Bureau of Labor Statistics' consumer price index.[41]

We found that annual tax savings to farmers range from $13 to $98 per acre, with landowners saving on average, 91% of their potential state and county property tax bills.

A. Methodology

The tax savings accruing to agricultural and forest landowners due to the AUA is determined by subtracting the property taxes paid on land enrolled in the AUA program from the property tax that would have been due if the land had been assessed at its full market value. This requires us to determine both the historic market values and the county and state tax rates that applied in each year of the analysis. We determined agricultural land values through several methodologies described below, and determined the historic county and state property tax rates by contacting the taxing officials.

First, we determined the tax liability for farmland assessed at its agricultural use value. The DAT calculates property taxes – including those for farmland enrolled in the AUA program – by multiplying the property's assessed value by the tax rate. The tax rate is the sum of city, town, county, and state property tax rates, and is expressed as a certain number of dollars and cents per $100 of assessed value. We obtained historical tax rate data from the counties and from the state for the years 1987-2006. While some cities and towns in Maryland levy additional taxes on real property within their jurisdictions, most farmland is not located within those jurisdictions; thus, this analysis omits city and town property taxes in its calculation of tax savings.[42]

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[38] Malme, Jane. (1993). Preferential Property Tax Treatment of Land. Lincoln Institute of Land Policy Working Paper.

[39] Gardner, Bruce L. (1994). Commercial Agriculture in Metropolitan Areas: Economics and Regulatory Issues. *Agricultural and Resource Economics Review, 23* (1).

[40] Lynch , Loretta & Carpenter, Janet. (2003). Is There Evidence of a Critical Mass in the Mid-Atlantic Agriculture Sector Between 1949 and 1997? *Agricultural and Resource Economics Review, 32*(1).

[41] See Appendix A for the consumer price index used in this study.

[42]Maryland Department of Assessments and Taxation, *Agricultural Use Assessment*, *available at* http://www.dat.state.md.us/DATweb/aguse.html. (Last accessed January 11, 2008).

Farmland valued under the AUA may be assessed at a value between $125 and $500 per acre for tax purposes, based on when it entered the program, among other factors.[43] However, the DAT reports that farmland enrolled in the AUA is assessed at an average of $300 per acre.[44] Hence, this analysis uses the simplifying assumption for aggregating tax benefits that all farmland is assessed at a use value of $300 per acre.[45]

Example: Tax liability for 10 acres of farmland assessed at its use value
A 10 acre parcel receiving an AUA of $300 per acre would be valued at $3,000 (10 x $300) for taxation purposes. Assuming a combined county and state tax rate of $1.132 per $100 of assessed value, the annual property taxes on the parcel would be $33.96 ($3,000 x $1.132/$100) under the agricultural use assessment.

In order to determine the tax liability for farmland had it been assessed at its fair market value for taxation purposes (*i.e.* not enrolled in the AUA program), the property tax rate must be applied to the fair market value (non-AUA assessed value) of the farmland.[46]

Example: Tax liability for 10 acres of farmland assessed at its fair market value
The total value of a 10 acre parcel with an assessed fair market value of $3,000 per acre would be $30,000 (10 x $3,000). The total annual property taxes levied on the parcel, assuming a combined tax rate of $1.132 per $100 of assessed value, would be $339.60 ($30,000 x $1.132/$100).

Therefore, the one-year tax savings due to the AUA for a 10 acre parcel with a fair market value of $3,000 per acre is:

$339.60 [tax levied on farmland assessed at market value]
\- $33.96 [tax levied on farmland assessed at use value]

[43] COMAR 18.02.03.08. 08 "Agricultural Use Value Rates. The following ranges govern the valuation and assessment of land eligible for AUA, based on the capitalization of Statewide farmland rentals: Use Value/Assessment. Class 1. FCMA land. 125 per acre/125 per acre. Class 2. Land under a private woodland management plan. 187.50 per acre/187.50 per acre. Class 3. Other eligible land. 125—500 per acre/125—500 per acre."

[44] Maryland Department of Assessments and Taxation, *Agricultural Use Assessment*, *available at* http://www.dat.state.md.us/DATweb/aguse.html. (Last accessed January 11, 2008).

[45] It is worth noting that agricultural use values as calculated by MALPF are significantly higher than the average $300/acre use value assigned to farmland for tax purposes under DAT's AUA. For example, in 2007, the average agricultural use value used by MALPF to determine the value of agricultural conservation easements was $844.60/acre. Thus, the AUA program actually offers even more tax relief than a program strictly premised on use of land in agriculture for agricultural purposes. *See* http://www.malpf.info/tables/2007Values.pdf (Last accessed May 8, 2008).

[46] In 2001-2002 Maryland changed the method of real property assessment to reflect the full appraised value of the property rather than 40 percent of the full appraised value. Similarly, agricultural parcels were previously taxed on 50% of the property's value, determined by use-value assessment. Because of the change, all counties decreased their tax rates in order to collect the same or similar revenue. This adjustment is reflected in our analysis of tax savings over time.

$305.64 [tax savings due to the AUA]

In order to determine what the tax savings have been over time, it is necessary to determine what the non-AUA assessed value of farmland would have been in each county for the relevant years of analysis. (It is also important to know fair market values in order to predict the likely amount of any agricultural transfer tax that may be derived from a parcel upon its sale and removal from agricultural use.) This report uses several alternative methods to determine this value. One of these methods looks at farmland value in a single year; the other two look at farmland value over the course of 15 years or more.[47]

Predicted Prices Method. This method uses predicted prices for all Maryland farmland determined in a prior study supported by the Harry Hughes Center for Agro-Ecology.[48] Using MPV data on actual sales transactions for agricultural and forest land parcels across Maryland from 1997-2003, hedonic models for per-acre prices were estimated for six groups of counties across the state. Within each group, separate models were estimated for parcels with residential structures and those without. Location and land characteristics included parcel size, distance to nearest big city, land use, soil quality, presence of easement restrictions, and county policies. While the analysis was conducted on a subset of parcels that sold during the relevant years, the researchers then used the estimated market values of the land and location characteristics to predict a per-acre land price in the year 2002 for every agricultural parcel in the state.

Census of Agriculture (NASS). The United States Department of Agriculture's Census of Agriculture, National Agricultural Statistics Service reports per-acre values of farm "land and buildings" by county, using values self-reported by owners of farmland. Using the values for land only for each county, we also interpolated land values for each year between the four available census years (1987, 1992, 1997, 2002) by an equal percentage each year. The farm land value data are based on reported perceptions of owners rather than on market sales.

Market sales of parcels remaining in farming. The Maryland Property View (MPV) database provides a record of the *last* sales transaction on each parcel in the database. From a database of each parcel of agricultural land over 5 acres participating in AUA in 2005, we extracted the prior sales price, if any, reported in the period from 1987-

[47] We investigated another approach, but did not use it for this analysis. The market value of every parcel of land in Maryland is assessed once every three years by the DAT, and the assessed value is recorded in the MPV. The research team acquired the 2005 MPV, which showed a total of 55,176 parcels enrolled in the AUA program in 2005. However, there were not reliable assessed values recorded in the database for all of these parcels. We initially excluded parcels for which no assessed value was recorded (N=76), and those with a recorded assessed value of less than $300 per acre (N=12,043), but this would have excluded 22 percent of all entries. Moreover, it appeared that in many cases, counties did not update the assessed land values for parcels that had not been sold, nor for farm parcels without improvements. Counties have little incentive to expend resources assessing the market value of farmland that is valued under the AUA, as this value is not used to determine tax bills. Thus, although using actual MPV records is intuitively a sound method for this analysis, the sources of error were too large to allow for reliable results.

[48] Lynch, *supra* note 3.

2005. Sales prices were adjusted to reflect only the land component of parcels that also included residential houses. The MPV values have the advantage of being based on actual sales, but the disadvantage of involving only a few or no sales in particular counties in particular years, thus making the per-acre values more subject to variation based on characteristics of particular parcels and sales.[49] Also this method does not reflect prior sales prices for parcels sold more than once during the period. Because these data are based on previous sales of lands *still in agriculture* in 2005, this method most likely reflects market values of farmland chiefly valued for on-going agricultural use rather than for the immediate development potential.

B. Tax savings to landowners

One consequence of the AUA is to create a fair and level market for urban fringe and rural farmers by way of more uniform cost input for property taxes.[50] Table 3 shows that the AUA saves Maryland farmland owners an average of 91% of their property taxes each year.

Table 3. Percentage of property tax bill that landowners saved due to AUA.

Predicted Price Method (2002)	
Howard	98.58%
Anne Arundel	97.21%
Harford	96.08%
Baltimore	95.86%
Queen Anne's	95.37%
Talbot	95.18%
Montgomery	95.13%
Prince George's	94.61%
Calvert	94.38%
Frederick	94.23%
Carroll	93.87%
Cecil	93.41%
St. Mary's	92.93%
Dorchester	92.86%
Kent	90.87%
Charles	89.91%
Washington	89.21%
Worcester	86.41%
Caroline	85.60%
Wicomico	84.35%
Somerset	84.31%
Allegany	78.06%
Garrett	75.09%

[49] To determine the average tax savings per acre by county, we used the savings for each parcel weighted by the number of acres in each parcel.
[50] Kashian, *supra* note 37.

Average	**91.02%**

With some exceptions, annual tax savings due to the AUA are highest in the counties experiencing the most farmland loss, where land values are higher (See Table 4). Annual tax benefits to farmers exceed $50 per acre in eight counties: Baltimore County ($78.22), Anne Arundel ($74.19), Prince George's ($65.18), Howard ($65.10), Carroll ($60.32), Cecil ($58.51), Harford ($54.13), and Frederick County ($52.06).

Table 4. Landowners' tax savings per acre due to AUA in 2002 (under two valuation methods)

Counties ranked by farmland loss	**2002 Tax savings ($/Acre) (NASS)**	**2002 Tax savings ($/Acre) (Predicted Price)**	**Change in farmland acres 1987-2005** [51]
Montgomery	47.59	53.88	-30,137.31
Carroll	60.32	47.48	-25,426.93
Frederick	52.06	44.46	-23,854.94
Prince George's	65.18	46.79	-23,816.36
Baltimore	78.22	98.46	-23,459.72
Charles	31.52	33.73	-20,763.68
Harford	54.13	64.81	-20,638.72
Cecil	58.51	48.00	-19,964.97
Howard	65.10	96.89	-16,906.66
Washington	36.16	29.15	-16,285.35
Calvert	35.92	47.42	-15,417.43
St. Mary's	24.24	32.01	-15,161.05
Wicomico	35.21	23.45	-14,133.88
Anne Arundel	74.19	44.81	-13,648.69
Garrett	21.04	19.65	-11,910.92
Caroline	27.46	24.22	-9,262.71
Worcester	17.05	13.63	-8,406.24
Queen Anne's	30.15	35.80	-7,324.64
Talbot	24.86	31.87	-6,694.67
Dorchester	23.17	17.70	-5,005.64
Allegany	22.93	16.08	-4,698.97
Somerset	25.11	13.23	-3,589.38
Kent	33.76	38.52	-3,459.83

[51] This measure of farmland reflects the difference in acreage enrolled in the AUA between 1987 and 2005. The researchers obtained the 2005 AUA enrollment data from MPV. The 1987 figure was estimated by summing the acreage subjected to the ATT each year between 1987 and 2004 (data provided by DAT) and adding this sum to the acreage enrolled in the AUA program in 2005. This is the best available estimate of farmland loss that is consistent with the definition used by DAT to determine eligibility for the AUA.

To gain a sense of the tax savings accruing to landowners over time due to the AUA, we also determined the total tax savings that would have accrued to an owner of a 100 acre farm in each county over the period 1987-2005 or 1987-2002, using two alternative methods for determining farmland fair market values (Table 5). The results using these methods vary more widely in the more metropolitan counties, but in each case reflect a substantial tax benefit.

Table 5. Total tax savings for hypothetical 100-acre farm due to AUA.

	1987 - 2005 (Market Sales)	**1987-2002 (NASS)**
Allegany	$19,332.93	$21,213.13
Anne Arundel	$197,981.89	$102,109.57
Baltimore	$157,742.02	$111,985.63
Calvert	$104,590.98	$59,222.65
Caroline	$39,777.78	$39,072.97
Carroll	$83,887.60	$71,396.16
Cecil	$78,332.51	$73,228.97
Charles	$58,946.90	$49,088.67
Dorchester	$39,590.33	$31,399.31
Frederick	$82,424.89	$65,674.33
Garrett	$19,539.14	$23,225.44
Harford	$129,081.30	$81,675.64
Howard	$234,885.12	$103,317.59
Kent	$77,092.25	$53,986.21
Montgomery	$120,610.17	$71,967.32
Prince George's	$160,614.19	$79,683.06
Queen Anne's	$77,853.75	$44,220.86
St. Mary's	$61,687.16	$42,780.10
Somerset	$23,743.53	$30,317.99
Talbot	$74,672.30	$27,526.97
Washington	$53,993.33	$47,225.06
Wicomico	$38,976.44	$42,404.41
Worcester	$31,139.91	$24,485.98

C. County and state property tax revenue forgone

The AUA provides savings to landowners on their property tax bills, but can also be regarded as costing county and state governments tax revenues they might otherwise have collected (this can be referred to as a tax expenditure.) The property tax revenue forgone by each county is shown in Table 6, and by the state in Table 7. The values shown are for property in agriculture.

Table 6. Annual tax revenue forgone by counties.

County	Property Tax Revenue Forgone 2002	
	(Predicted Price)	(NASS Census)
Allegany	$1,406,373	$2,005,182
Anne Arundel	$2,221,913	$3,678,562
Baltimore	$11,322,272	$8,994,836
Calvert	$2,307,968	$1,748,037
Caroline	$3,563,977	$4,041,596
Carroll	$9,404,228	$11,947,349
Cecil	$5,312,872	$6,476,454
Charles	$3,969,346	$3,708,639
Dorchester	$3,301,515	$4,321,878
Frederick	$10,053,013	$11,770,750
Garrett	$3,422,428	$3,666,289
Harford	$7,172,701	$5,990,719
Howard	$3,922,310	$2,635,158
Kent	$5,287,076	$4,633,681
Montgomery	$4,149,390	$3,664,961
Prince George's	$2,313,470	$3,222,331
Queen Anne's	$6,106,762	$5,141,890
Somerset	$3,510,717	$2,753,852
St. Mary's	$1,654,150	$3,030,399
Talbot	$3,609,831	$2,816,154
Washington	$4,171,459	$5,174,403
Wicomico	$3,074,429	$4,616,420
Worcester	$2,349,201	$2,938,406

Table 7. Annual tax revenue forgone by the state.

State Tax Revenue Forgone Due to AUA in 2002	
(Predicted Price)	(NASS Census)
$9,133,719	$9,574,918

Thus, the annual tax expenditures to support the retention of lands in agriculture are meaningful at the county level. These range from about $1.5-$12 million annually depending upon the county. The question is whether a change to the tax system can be made that continues, as under the current AUA system, to benefit lands retained in agriculture by reducing operating costs to farmers, but that produces greater revenues for agricultural preservation from lands that undergo development, without depressing farmland values generally.

V. Fair market values of lands leaving agriculture are substantially higher than those remaining in agriculture

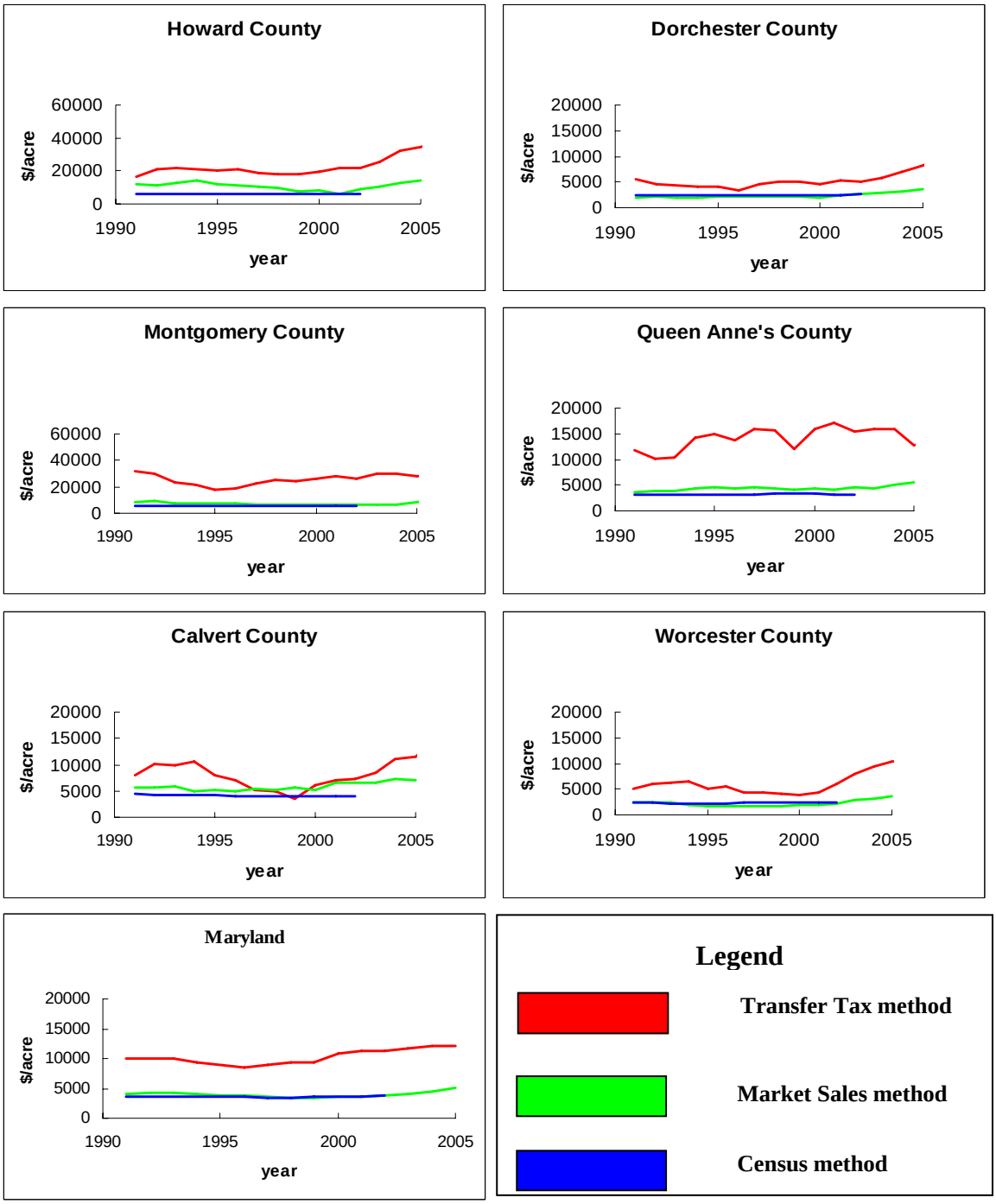
The DAT data allow us to determine the fair market value of land leaving agriculture for development purposes. We found that agricultural land that sold for development purposes between 1987 and 2005 generally sold at significantly higher prices than did farmland that was sold for other purposes. The DAT maintains annual data by county on (1) land acreage on which the ATT has been levied, and (2) the amount of tax collected. As noted above, the ATT is levied at a rate of 5 percent of the sales price when the land sold and leaving agricultural use is 20 acres or more (and 4 percent, 3 percent in some instances, for parcels under 20 acres). Land development activities typically involve parcels larger than 20 acres in order to achieve sufficient economies of scale for housing construction and for commercial development. In 2006, 94.4 percent of the acreage on which the ATT was levied was taxed at the 5 percent rate, 5.2 percent at the 4 percent rate, and only 0.4 percent at the 3 percent rate.

We calculated the fair market value of development-sale farmland by assuming that the farmland paid the 5 % rate, multiplied the total ATT received by twenty, and divided the result by the number of acres subjected to the ATT in that year, for each county. This method allowed us to determine the likely fair market value for those Maryland agricultural lands most susceptible to development – lands that were *actually sold for that purpose*. As with the market transaction method (for land remaining in agriculture), in some years there were few sales or potentially unique circumstances that make values particularly high or low in that year and not readily attributable to all parcels.

The farmland market values calculated under this "transfer tax methodology" reflect the value of farmland that is sold for *development* purposes. Thus, it represents for the most part a high end value. In contrast, the farmland market values reported by the NASS census represent an average of the perceptions of the agricultural community, which include a combination of land that was sold for agricultural and development purposes (a middle value). The fair market values calculated under the MPV market transaction method for land remaining in agriculture reflect the value of farmland that was sold for, and remains in agriculture (low end value).

In sum, the land sold for development represents a distinct market segment in terms of land values. This pattern, depicted in Figure 1 via trend lines reflecting 5 year moving averages of farmland market value between the years 1987 and 2006, is consistent both statewide and in 6 case study counties.

Figure 1. Moving average of per acre farmland market value in six Maryland counties according to the Census, Transfer Tax, and Market Sales methods.



Only those parcels taken out of agriculture are subjected to the ATT, while virtually all farmland is eligible for the AUA benefit. This means that the ATT really affects only a distinct subset of Maryland farmland – farmland that is also the greatest beneficiary of the AUA tax treatment. The prospect of the ATT being imposed thus has

little or no effect on the price of farmland generally. Statewide, farmland sold for agriculture commands only about half the price of farmland sold for development. This suggests that an increase in the ATT could be supported while not impairing the benefits received by farmers generally under the AUA.[52]

VI. Policy recommendations

Modifications to Maryland's treatment of taxes on agricultural lands can maintain benefits for farms remaining in agricultural use, while improving the performance of the tax structure in preserving agricultural lands and generating public benefit. Changes, if any, should take into account Maryland's fiscal needs, the geographic distribution of farmland conversions, tax benefits and expenditures due to the AUA, and the current direction of agricultural policy in Maryland toward preservation, stewardship, and support of working farms.[53] Given these considerations, the following recommendations would increase agricultural preservation funding for counties while not impairing the agricultural landowner benefits, which help reduce operating expenses for farming operations:

1) Increase the agricultural land transfer tax (ATT) rate by 0.5 – 2 percentage points and distribute the revenue from the increase to counties, or authorize those counties experiencing farmland loss to levy a county agricultural land transfer tax.

2) Close the loophole in the agricultural land transfer tax allowing limited liability corporations to avoid payment of the tax.

A third recommendation would more closely link the enjoyment of the substantial tax benefit under the AUA to ensuring that agricultural land is providing a public benefit that is expected under Maryland public policy:

3) Grant the agricultural use valuation only to farms that are in compliance with Maryland nutrient management and other requirements.

These three recommendations are discussed in further detail below.

A. Increase the ATT rate

This recommendation is supported not only by the analysis of this paper but also is consistent with previous conclusions by the Task Force to Study the Maryland Agricultural Land Preservation Foundation that: the agricultural land transfer tax is too low to discourage conversion of agricultural land to development;[54] it does not recapture

[52] The data suggest that the buyer is paying the ATT, which is capitalized into the sales price.
[53] *See* recommendations of the Task Force to Study the Maryland Agricultural Land Preservation Foundation, the Agricultural Stewardship Commission, and the Incentives for Agriculture Task Force.
[54] While undoubtedly the case, we did not ascertain the level at which an ATT might have to be assessed to have this effect; some sensitivity analysis is applied to some of the levels discussed below to examine the revenue potential of suggested increases.

the lost revenue from the time the property spent in agricultural assessment;[55] and the rate at which the agricultural land transfer tax produces revenues on a per-acre basis is considerably less than the average MALPF easement cost per acre.[56]

The new 25% state surcharge on the ATT enacted by the legislature in 2008 will recover more of the revenue forgone under the AUA. However, revenue derived from the surcharge is distributed only to MARBIDCO and to state farmland conservation programs which are not required to allocate conservation funding in proportion to county farmland loss. Counties experiencing higher rates of farmland loss may not receive commensurate assistance toward counteracting conversions in their counties.

Using data from DAT on the converted farmland acreage subjected to the ATT and the revenue collected per acre in 2007, we estimate the total increases in revenue to state programs and MARBIDCO from the new state surcharge. We consider the possibility that the increase in the ATT would decrease the conversion of farmland by 0.5-2%; thus, the overall increase in revenue collected might be slightly lower than assuming the conversion rate did not change with an increased ATT rate. It is also necessary to consider the fiscal effect of the new surcharge at the county level. We estimate decreases in county collections under the existing ATT due to decreased converted acreage that may accompany the surcharge.

Table 8. Sensitivity analysis: Change in revenue from 25% surcharge on the ATT.[57]

	-0.5% converted acres	**-1% converted acres**	**-1.5% converted acres**	**-2% converted acres**
Increase in revenue to state programs and MARBIDCO	+$3,363,680	+$3,277,430	+$3,191,181	+$3,104,931
Decrease in county revenue	-$69,030	-$138,030	-$207,030	-$276,029

The new surcharge would more than offset for state programs and MARBIDCO any decrease in revenue associated with decreased conversions. Even assuming a 1.5% decrease in converted acreage, the surcharge still nearly doubles the state share of the ATT.[58] However, a decrease in conversions would modestly decrease the county share of the existing ATT without compensation. Holding all else constant, a 0.5% decrease in the acreage subjected to the ATT would decrease the county share of the ATT revenue by 0.5%. In contrast, an additional increase in the *rate* of the ATT (and the revenue collected by counties) would guarantee an increase in the acreage protected under county

[55] Because of typical state and county tax rates, the 5 percent ATT recoups at best about 5 years of benefits from the AUA. Most Maryland farmland has been enrolled in the AUA program for decades.
[56] Task Force to Study the Maryland Agricultural Land Preservation Foundation. (2004) Final Report, *available at* http://www.msa.md.gov/megafile/msa/speccol/sc5300/sc5339/000113/003000/003190/unrestricted/20066563e.pdf (Last accessed May 8, 2008).
[57] 2007 data used in calculations provided by DAT.
[58] Assumes most typical scenario: that the county has a certified agricultural preservation program, and that the land converted is charged the 5% ATT rate.

and state preservation programs while slightly decreasing the acreage converted out of agricultural use.

In its 2004 report, the Task Force to Study the Maryland Agricultural Land Preservation Foundation recommended an increase in the range of the ATT from the 3% to 5% rate to 6% to 10%, depending on the size of the property.[59] Based on the value of the AUA benefit enjoyed by farmland in the path of development, and the differences in markets between farmland remaining in agriculture and that undergoing conversion, we recommend that the current state ATT rates be increased by 0.5 - 2.0 percentage points, and that all revenue derived from the increase be allocated to counties for local farmland preservation.

Because the 25% surcharge fulfills the need for increased funding to state programs and MARBIDCO, the surcharge and the 0-2 percentage point increase in the ATT should be applied independently, not additively, to the current state ATT rates. That is, the 2008-enacted surcharge should be calculated on the base ATT tax (3-5%) before the additional county portion is tacked on.

Using data from DAT on the acreage subjected to the ATT and the ATT revenue collected per acre in 2007, we estimate total increases in revenue to counties resulting from a 0.5-2 percentage point increase in the 5% ATT rate (the rate that approximately 94% of farmland pays). In our calculations, we consider the possibility that the increase in the ATT rate would decrease the conversion of farmland by 0.5-2%.

Table 9. Sensitivity analysis: Total increase in revenue to counties from an increase in the ATT rate.[60]

Percentage Point Increase in 5% ATT Rate	Percent decrease in acreage converted and subject to ATT			
	-0.5% converted acres	-1% converted acres	-1.5% converted acres	-2% converted acres
0.5	$1,304,097	$1,228,197	$1,152,297	$1,076,398
1.0	$2,677,194	$2,594,394	$2,511,595	$2,428,795
1.5	$4,050,291	$3,960,591	$3,870,892	$3,781,192
2.0	$5,423,388	$5,326,788	$5,230,189	$5,133,589

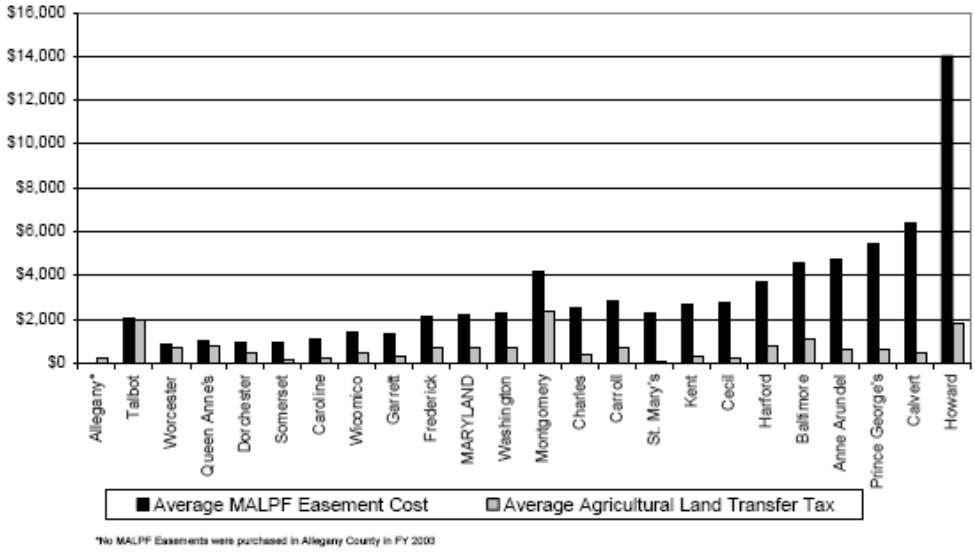
The most revenue from a 0.5-2 percentage point increase in the state ATT would accrue to counties with the highest land values and conversion rates. Because farmland conversions are occurring at the fastest rate at the urban fringe, where farmland market values are generally high (see Figure 1), the increased tax will have the greatest effect on those counties whose landowners gained the most benefit from the AUA. Because an increased ATT rate in addition to the new surcharge could affect purchase prices the decrease in converted acreage may be toward the higher end of our estimate, 1.5 - 2.0%.

[59] 2007 data used in calculations provided by DAT.
[60] *Id.*

There is an alternative method to a state-enacted increase supporting county- level preservation programs. The Maryland legislature could authorize counties to elect to impose up to a 2% county agricultural transfer tax. County ATT revenue would be earmarked, as in Washington County, for an approved agricultural land preservation program. Since July of 2000, Washington County has imposed the maximum allowable 2% county ATT on all transfers of farmland that is subject to the state ATT. Between 2001 and 2006, Washington County collected approximately $2,227,020 in county ATT for farmland preservation. The County stretched the impact of its county ATT by using revenue for an easement purchase match program through MALPF in which counties contribute 40% and the state contributes 60% of easement acquisition costs.[61] Between 1987 and 1997, Washington County lost 8.17% of its farmland; between 1997 and 2002, the county lost only 1.03%.

It is widely recognized that the state ATT generates only a fraction of the money needed to balance the amount of conversion and preservation of farmland in Maryland.[62] In Calvert County, for example, the ATT revenue from 17.9 acres is enough to purchase an easement on one acre of farmland; in Carroll and Howard counties, the ratios are 8.4 to 1 and 22.6 to 1, respectively.[63] Figure 2, published in the 2003 interim report of the Task Force to Study the Maryland Agricultural Land Preservation Foundation, depicts the gaps between MALPF easement acquisition costs and state ATT revenue in 2003.

Figure 2: Average per acre MALPF easement acquisition costs and ATT revenue in 2003.[64]



Increased revenue from a county ATT could help patch the gap between easement acquisition costs and funding, while encouraging counties to control their own destiny in

[61] Personal communication with Eric Seifarth, Washington County MALPF administrator. February 11, 2008.
[62] Task Force to Study the Maryland Agricultural Land Preservation Foundation, *supra* note 56.
[63] *Id.*
[64] *Id.*

preservation. Using data on easement acquisition costs[65] and transfer tax revenue between 2002 and 2006, we calculate the average additional acreage in each year that could have been preserved in 5 case study counties with revenue from a 0.5-2.0% county ATT. We then averaged those averages to determine the acreages reported in Table 9. We found that the overall revenue generated from a transfer tax rate increase to 5.5% would be higher than the current revenue stream unless the rate of land conversion decreased by 9.09%. One would expect a greater impact on the rate of conversion on large increases in the ATT rate and lower impacts on conversion for smaller adjustments to the ATT rate.

Table 10. Additional annual acreage that could have been preserved with increased ATT revenue.[66]

County	0.5% county ATT	1% county ATT	1.5% county ATT	2% county ATT
Calvert	3.65	7.30	10.96	14.61
Dorchester	17.70	35.41	53.11	70.81
Montgomery	50.07	100.13	150.20	200.27
Queen Anne's	16.57	33.14	49.70	66.27
Worcester	24.40	48.81	73.21	97.61

Possible beneficiaries of a *county-option* ATT are five counties that are among the counties that have lost *both* the largest acreage and percentage of farmland between 1997 and 2002 according to NASS. Carroll, Harford,[67] Frederick, Cecil, and Baltimore counties would benefit most from increased revenue for preservation and decreased acreage converted out of agricultural use that may result from a county-level ATT.

Table 11. Counties in Maryland with the greatest loss of farmland acreage *and* highest percentage loss.

	Change in farmland 1997-2002 acres (NASS)	Percent change in farmland 1997-2002 (NASS)
Carroll	-20,619	-12.28%
Harford	-13,397	-14.13%
Frederick	-22,217	-10.19%
Cecil	-9,330	-10.80%
Baltimore	-8,252	-10.38%

[65] We use easement acquisition costs rather than calculated easement values because MALPF often pays landowners less than the calculated easement value for their easement. For example, in 2005 in Dorchester County, the acquisition cost of the easements was only 53 percent of the easement value; that is $1,174 per acre compared to $3,354 per acre.

[66] Conservation easement values and discounted easement acquisition costs for the years 2002-2007 *available at* http://www.malpf.info/data.html. (Last accessed May 8, 2008).

[67] Harford County does impose a 1 percent general real estate transfer tax (not an ATT) half of which is used to support farmland preservation.

These recommendations (for a state-enacted increase and for a county ATT) can also be implemented together. An increase of up to 2 percentage points in the ATT and up to a 2 percent county tax remain within close range of the recommendations of the MALPF Task Force, which recommended an ATT of up to 10 percent. Counties that have a particularly high rate of farmland loss on a percentage basis, or a particularly high rate of loss per additional resident (see Table 1), might be authorized to adopt the higher end of the county tax range – 2 percent, while others might be limited to a lower number. The benefit of the state-enactment is that all counties would automatically collect the additional ATT, whereas political factors may deter counties from electing to levy a county ATT.

B. Close ATT loophole for non-deed recordation transfers

Under the state law there are two ways to avoid paying the ATT when land under the AUA is removed from agricultural use: keep land in active agricultural use for 5 years after it is sold; or remove land from the AUA program and pay property taxes on its market value for 4 years. However, in recent years, significant media and legislative attention has been given to a third method for avoiding the transfer tax (both agricultural and real estate): property owners transfer ownership of a parcel into a limited liability company (LLC) and sell the controlling interest in that LLC. Because the deed of the property never changes hands, these transactions are not subject to state or county transfer taxes (or recordation taxes).

The DAT reported that more than 200 transactions worth at least $1 million each would have netted $150 million in real estate transfer tax revenue over the last five years in the absence of the loophole.[68] Similar data on the ATT was not available. However, the researchers endeavored to gain a sense of the acreage of farmland transfers that evade the ATT by comparing the change in acreage enrolled in the AUA program to the total acreage subjected to the ATT over the period 2001-2006.[69] Using two sources of data on AUA enrollment (provided by MDP and DAT), we calculated the percentage of land exiting the AUA program that paid the ATT over the period 2001-2006. The results were, unfortunately too divergent to confirm or disprove the expected effect. According to DAT's data, 61% of the land exiting the AUA program between 2001 and 2006 paid the ATT, which would suggest a substantial avoidance via various means. However, using AUA enrollment acreages listed in MPV, we found that an average of 124% of the land exiting the AUA program paid the ATT over the same period.

Some of this discrepancy may be attributable to errors in data entry. For example, there were entries in MPV that reported parcel size in square feet instead of acres. We corrected such gross errors where apparent in order to determine the abovementioned figure. In addition, according to the DAT data, there were several counties in which a larger acreage was subject to the ATT than left the AUA; or in which the acreage

[68] Maryland DAT as quoted in Smitherman, Laura. "House votes to close tax loophole." Baltimore Sun. March 23, 2007.

[69] It is important to remember that most, but not all, farmland removed from the AUA is subject to the ATT.

enrolled in the AUA increased, rather than decreased over time. Some of the anomaly may result from a shift between the year in which the transaction occurred and when the tax was paid. Both anomalies may also be affected by the enrollment of new farms or additional land in the AUA program.

Despite data discrepancies that prevent us from quantifying the ATT loophole, there is reason to conclude – including anecdotal evidence provided to the researchers by state officials – that a significant number of agricultural land transfers are avoiding payment of the ATT. The deleterious effects of the transfer tax loophole are twofold: it costs county and state preservation programs lost tax revenue, and negates one of the primary purposes of ATT, which is to discourage the development of farmland. This effect may be even more pronounced as the new surcharge provides an additional incentive to avoid payment of the tax. The Maryland legislature should amend the code to require limited liability companies to pay transfer taxes when property is transferred from one owner to another through the sale of a company's controlling interests if the major asset of the company is real property.

C. Link tax benefits to nutrient management

Maryland counties forgo approximately $106 million annually through the AUA program to support farmland retention. Counties should not "expend" revenue in support of those agricultural practices that release harmful nutrients into local water bodies, and in doing so, damage the environment, pose risks to public health, and cost counties money. Maryland's 1998 Water Quality Improvement Act requires all agricultural operations with over $2,500 gross income or eight or more animal units to prepare and implement nutrient management plans.[70] Failure to have a plan results in a notice of violation and, "after a reasonable period of time, if the person fails to have a nutrient management plan" assessment of an administrative penalty not to exceed $250.[71] Failure to comply with a plan results in "for a first violation, a warning; and for a second or subsequent violation, after an opportunity for a hearing" a penalty of "up to $100 for each violation, but not exceeding $2,000 per farmer or operator per year."[72] These plans were required by 2001 (2004 in some instances), and compliance with the adopted plans within a year. At the July 10, 2007 meeting of the Incentives for Agriculture Task Force, Mr. Doug Scott, Assistant Secretary, Maryland Department of Agriculture (MDA), noted that 91% of Maryland farm operations that are required to have nutrient management plans are in compliance.

The final report of the *Incentives for Agriculture Task Forc*e did not address the directive in the Agricultural Stewardship Act to "identify . . . modifications to the State tax structure . . . including tax incentives for the utilization of best management practices associated with the improvement of water quality."[73] Failure to comply with minimum requirements of state law is certainly a suggestion that the activity is not in accordance

[70] Md. Code Ann., Agric. §8-803.1.
[71] Md. Code Ann., Agric. §8-803.1(h)(2).
[72] Md. Code Ann., Agric. §8-803.1(i).
[73] Acts 2006, Ch. 289, § 11(f)(2).

with best management practices, nor appropriate agricultural land use within the meaning of the tax code. In accordance with the Agricultural Stewardship Act, Maryland legislature could amend the code to provide that landowners become ineligible for the AUA tax benefit if they fail to have a nutrient management plan and comply with its requirements by 2009. Ineligibility could be phased in to ensure that landowners have every opportunity to comply. The provision of the AUA may also be tied to other requirements, such as following agricultural best management practices associated with water quality.

VII. Conclusion

Our results, comparing fair market value to AUA value and applying the county and state property tax rates over time show that a substantial tax benefit is afforded farmers under the AUA. This benefit is of sufficient magnitude to affect operating expenses and hence the ability of farmers to remain in agriculture. However, this program also benefits farmers in the path of development to an even larger degree than those whose property is chiefly valued for agriculture. Recovering a portion of this benefit upon sale of the property for development purposes is in keeping with Maryland's policy of supporting farming while offsetting conversions to the extent possible. The data in this report, and detailed in Appendix C, suggest that additional ATT taxation would be feasible and beneficial, and that attention to the differences among counties is also sensible given the wide variation in land values, land conversions, and farmland loss per additional resident, as well as the costs of preservation.

ACRONYMS

ATT:	Agricultural land transfer tax
AUA:	Agricultural use assessment
DAT:	Maryland Department of Assessments and Taxation
LLC:	Limited liability company
MARBIDCO:	Maryland Agricultural and Resource-Based Industry Development Corporation
MDP:	Maryland Department of Planning
MPV:	Maryland Property View dataset
NASS:	United States Department of Agriculture's National Agricultural Statistics Service
USDA:	United States Department of Agriculture

APPENDICES

Appendix A

Consumer Price Index used to adjust all values in report to 2002 dollars.

Year	CPI
1987	0.631462
1988	0.657588
1989	0.689272
1990	0.726515
1991	0.757087
1992	0.779878
1993	0.803224
1994	0.823791
1995	0.847137
1996	0.872151
1997	0.892162
1998	0.906059
1999	0.926070
2000	0.957198
2001	0.984436
2002	1.000000
2003	1.022790
2004	1.050028
2005	1.085603
2006	1.120623

Appendix B. County-level tax credits for agriculture

Counties with certified agricultural land preservation programs may retain a greater amount of the agricultural land transfer tax revenue than counties that are not. Certified counties must give up one quarter of the revenue from the ATT to the state and non-certified counties have to give up two thirds of their ATT revenue. Maryland counties have also enacted tax credits for agricultural preservation.

County	**Certified agricultural land preservation program**	**Tax credit?**	**Amount**	**Buildings?**	**Notes**
Allegany					
Anne Arundel	✓	✓	unspecified	Up to $250,000	Land must be in district
Baltimore	✓	✓	100%	Not covered	
Calvert	✓	✓	100%	"Sheds, barns, and similar structures" covered	Donated easements only
Caroline					
Carroll	✓	✓	100%	Not covered	Donated easements only
Cecil	✓	✓	50 or 75%	Not covered	
Charles	✓	✓	unspecified	Farm improvements only	Land must be in district
Dorchester					
Frederick	✓	✓	100%	Agricultural buildings only	
Garrett		✓	100%	Not covered	
Harford	✓	✓	Varies	All real property	
Howard		✓	75 or 100%	Not covered	
Kent	✓				
Montgomery	✓				
Prince George's		✓			
Queen Anne's	✓				A proposed credit is currently in the process of adoption.
Saint Mary's	✓	✓	Unspecified	Agricultural improvements covered	
Somerset					
Talbot	✓				
Washington	✓	✓	Unspecified	Improvements covered	Land must be in district
Wicomico	✓	✓	50%	Farm Improvements covered	Land must be in district
Worcester	✓				

Appendix C. Maryland agricultural land transfer tax data (DAT).

Total acreage subject to agricultural transfer tax by fiscal year										
	2006	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**	**1997**
Allegany	1,023.7	295.9	274.2	111.8	33.9	34.2	28.2	62.8	380.3	665.5
Anne Arundel	656.6	522.4	240.3	1,064.0	570.3	432.9	524.6	247.6	504.1	458.4
Baltimore	588.4	967.4	1,263.6	685.9	945.3	780.3	827.2	980.9	885.5	1,230.0
Calvert	190.0	224.0	383.9	497.9	655.0	697.6	285.7	2,197.1	1,586.5	690.5
Caroline	465.3	343.3	763.4	569.8	384.9	220.8	195.1	344.9	144.9	200.3
Carroll	711.3	870.5	1,056.9	1,922.3	1,274.0	1,297.7	945.4	1,174.7	957.8	1,164.6
Cecil	1,143.5	946.0	478.5	1,280.9	1,123.3	2,119.2	707.5	824.8	799.5	797.9
Charles	1,656.2	1,904.3	1,743.6	813.9	468.4	639.5	1,171.0	268.2	819.5	593.7
Dorchester	531.1	786.0	400.7	104.1	195.0	74.7	290.4	102.2	74.3	184.5
Frederick	1,277.9	1,817.5	1,066.7	854.0	833.4	665.0	351.7	841.7	1,052.5	952.2
Garrett	496.4	843.1	354.4	357.0	564.0	283.0	127.6	170.6	386.7	413.2
Harford	685.5	873.3	948.3	1,131.0	1,093.9	549.5	1,140.7	1,348.1	700.2	1,273.4
Howard	747.5	395.6	877.0	560.5	445.5	686.2	701.7	1,267.5	974.5	692.7
Kent	33.0	220.6	103.3	204.2	121.9	122.4	57.6	29.0	15.8	43.5
Montgomery	1,964.6	931.6	2,158.0	1,357.1	1,901.2	2,544.0	1,953.4	1,173.6	441.2	607.4
Prince George's	2,119.3	3,576.0	3,255.3	2,364.4	545.9	545.9	717.8	566.9	175.7	192.6
Queen Anne's	752.2	682.6	804.7	433.9	710.1	1,122.3	313.7	664.1	357.5	127.5
St. Mary's	993.2	1,550.3	1,500.7	2,373.5	542.0	1,798.0	434.1	1,363.7	426.2	453.1
Somerset	487.4	233.1	296.0	124.5	132.2	166.0	55.1	94.5	306.9	75.1
Talbot	252.6	391.3	566.1	284.1	162.1	286.3	256.1	246.5	192.8	146.9
Washington	959.0	1,418.0	1,630.0	787.0	687.3	756.4	613.1	745.8	636.1	488.1
Wicomico	1,319.3	1,020.3	1,233.0	446.2	369.8	510.1	431.9	293.6	608.6	615.9
Worcester	534.0	1,018.8	1,052.3	527.1	251.2	131.4	354.7	377.4	651.3	424.1
TOTAL	**19,588.1**	**21,831.8**	**22,451.0**	**18,855.1**	**14,010.6**	**16,463.0**	**12,484.5**	**15,385.6**	**13,078.4**	**12,490.7**

Total acreage subject to agricultural transfer tax by fiscal year cont.										
	1996	**1995**	**1994**	**1993**	**1992**	**1991**	**1990**	**1989**	**1988**	**1987**
Allegany	217.2	866.2	280.7	293.8	75.4	627.5	78.2	419.9	218.8	30.5
Anne Arundel	505.2	319.3	104.4	149.2	174.8	241.3	2,154.1	2,079.1	2,620.5	1,258.5
Baltimore	303.0	850.1	418.1	673.1	517.9	463.2	1,198.7	2,256.4	2,770.3	6,410.4
Calvert	486.8	1,116.6	215.3	765.7	389.1	437.9	969.1	832.1	1,788.5	1,422.1
Caroline	2,967.5	213.0	311.4	231.1	207.2	128.3	303.1	730.6	783.7	562.9
Carroll	595.7	733.1	1,389.5	1,127.5	837.5	572.3	1,553.7	2,821.5	3,574.0	2,428.8
Cecil	490.4	743.2	726.2	356.9	621.0	1,026.8	2,212.0	2,277.1	2,006.7	1,373.3
Charles	564.7	556.6	853.7	467.2	878.4	760.3	1,386.4	3,871.4	3,082.0	1,825.2
Dorchester	170.6	69.9	138.1	177.8	317.0	147.4	306.4	1,075.2	1,014.1	163.5
Frederick	1,072.4	734.5	522.6	1,101.0	754.1	711.4	2,390.5	5,094.0	3,121.7	1,735.6
Garrett	748.4	169.0	2,729.3	730.5	622.8	656.7	1,429.1	1,089.5	435.2	644.0
Harford	1,180.1	637.2	634.0	439.3	806.5	572.4	1,157.9	3,117.4	1,673.5	2,235.5
Howard	733.0	714.9	293.9	456.7	81.6	330.2	948.2	1,732.8	3,417.5	1,992.4
Kent	27.5	85.9	111.9	50.2	42.7	129.2	251.3	570.9	1,186.8	305.7
Montgomery	1,103.8	1,520.0	1,023.7	1,327.4	467.1	570.2	1,761.3	2,548.2	4,175.7	3,504.0
Prince George's	1,265.6	675.6	99.1	406.9	94.4	674.9	1,571.3	2,920.6	5,438.1	2,305.3
Queen Anne's	317.5	148.5	155.1	117.7	239.4	101.7	468.5	655.9	389.0	197.6
St. Mary's	285.2	345.7	92.9	327.6	241.4	820.3	2,535.2	79.0	783.9	758.6
Somerset	485.1	38.8	54.2	25.6	161.0	158.3	111.5	591.8	257.2	455.7
Talbot	123.2	570.0	186.3	388.1	188.8	251.4	246.4	1,007.0	371.9	1,220.6
Washington	670.3	1,303.3	287.0	498.1	285.2	606.9	1,909.1	2,241.6	1,570.8	569.3
Wicomico	463.9	738.3	637.9	1,104.5	636.8	811.0	627.7	1,169.7	1,907.6	1,527.4
Worcester	217.7	593.8	165.2	210.0	78.9	271.1	489.0	620.0	1,682.00	309.0
TOTAL	**14,994.9**	**13,743.3**	**11,430.5**	**11,425.9**	**8,719.1**	**11,070.6**	**26,058.9**	**39,801.4**	**44,269.4**	**33,235.8**

Total ATT revenue collected by fiscal year										
	2006	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**	**1997**
Allegany	$169,769	$72,207	$26,086	$21,320	$4,460	$5,349	$5,060	$23,325	$21,162	$39,376
Anne Arundel	$966,223	$960,882	$171,798	$618,840	$559,378	$467,362	$503,078	$234,431	$418,124	$266,102
Baltimore	$870,508	$1,943,457	$987,080	$726,967	$814,483	$574,033	$752,537	$700,560	$500,443	$1,308,387
Calvert	$255,725	$207,040	$312,191	$238,348	$257,764	$270,907	$199,370	$297,963	$211,161	$213,385
Caroline	$367,751	$187,482	$289,306	$122,643	$75,052	$43,354	$39,042	$35,614	$31,730	$30,109
Carroll	$675,460	$1,142,322	$921,055	$1,296,342	$584,893	$871,017	$465,841	$639,044	$572,264	$505,925
Cecil	$1,300,811	$699,377	$276,651	$293,849	$314,498	$262,619	$206,930	$190,189	$144,799	$199,177
Charles	$978,472	$835,661	$533,090	$344,879	$160,933	$131,117	$135,693	$72,006	$191,799	$194,748
Dorchester	$514,070	$379,567	$198,336	$47,955	$71,476	$24,196	$41,303	$14,351	$19,993	$67,311
Frederick	$1,084,115	$1,805,942	$584,682	$581,761	$612,290	$364,677	$374,418	$386,530	$701,701	$632,600
Garrett	$318,842	$336,696	$153,560	$93,959	$212,819	$135,444	$28,025	$54,420	$47,726	$32,817
Harford	$905,497	$595,476	$347,858	$891,672	$720,353	$311,902	$601,644	$670,576	$368,036	$973,598
Howard	$1,697,364	$747,695	$2,461,010	$1,007,173	$604,450	$780,037	$721,454	$1,213,790	$732,648	$843,663
Kent	$82,907	$155,220	$130,734	$57,234	$25,045	$75,687	$45,270	$17,629	$29,162	$16,351
Montgomery	$2,197,949	$1,644,486	$2,387,784	$3,250,092	$2,191,323	$2,336,854	$3,875,275	$1,114,939	$560,073	$825,698
Prince George's	$3,080,395	$5,580,634	$2,222,567	$1,476,697	$312,244	$312,244	$270,781	$279,012	$138,830	$129,043
Queen Anne's	$870,573	$466,367	$421,367	$324,410	$362,635	$896,372	$433,390	$298,652	$195,124	$105,660
St. Mary's	$765,660	$1,263,579	$395,750	$217,396	$143,910	$134,827	$99,308	$210,144	$99,097	$131,091
Somerset	$343,876	$127,181	$75,612	$20,430	$29,016	$23,265	$5,596	$12,749	$30,136	$10,706
Talbot	$532,281	$407,715	$766,132	$566,280	$235,925	$289,935	$1,542,025	$190,469	$122,938	$98,430
Washington	$1,061,565	$2,296,706	$1,092,263	$581,170	$387,358	$148,488	$400,036	$660,289	$385,575	$290,886
Wicomico	$959,518	$566,304	$371,873	$199,133	$95,945	$154,042	$168,284	$144,344	$215,813	$146,224
Worcester	$262,146	$460,434	$618,197	$353,373	$148,101	$44,421	$67,329	$71,107	$97,334	$73,548
TOTAL	**$20,261,256**	**$22,882,477**	**$15,743,993**	**$13,331,923**	**$8,924,352**	**$8,658,149**	**$10,981,689**	**$7,532,130**	**$5,835,668**	**$7,134,835**

Total ATT revenue collected by fiscal year cont.										
	1996	**1995**	**1994**	**1993**	**1992**	**1991**	**1990**	**1989**	**1988**	**1987**
Allegany	$22,676	$35,739	$17,466	$26,909	$6,818	$28,277	$11,457	$19,665	$11,775	$4,391
Anne Arundel	$354,516	$176,995	$71,623	$123,215	$140,799	$119,476	$1,086,245	$1,481,914	$851,780	$824,118
Baltimore	$251,749	$585,298	$367,060	$465,763	$326,027	$346,528	$1,169,351	$1,694,331	$1,180,131	$2,832,773
Calvert	$56,797	$93,989	$89,785	$119,747	$246,314	$127,286	$545,705	$158,358	$359,993	$224,401
Caroline	$146,044	$26,143	$48,136	$35,710	$33,017	$30,152	$78,812	$141,731	$93,468	$66,164
Carroll	$328,844	$362,938	$548,840	$409,158	$307,065	$330,655	$706,300	$1,064,223	$1,338,348	$712,823
Cecil	$125,508	$193,816	$147,929	$94,265	$110,675	$162,675	$373,964	$619,027	$333,293	$181,739
Charles	$127,180	$88,956	$217,134	$141,375	$202,528	$145,312	$496,611	$803,656	$453,983	$225,597
Dorchester	$19,928	$17,111	$15,522	$22,110	$26,843	$36,414	$64,514	$152,015	$138,377	$35,813
Frederick	$366,576	$487,601	$183,267	$536,528	$205,136	$346,045	$1,845,183	$2,602,652	$1,242,385	$535,407
Garrett	$79,347	$41,958	$92,539	$41,161	$67,639	$53,643	$135,049	$73,778	$64,626	$94,011
Harford	$417,544	$313,907	$365,567	$191,647	$275,047	$284,039	$392,965	$1,199,147	$531,470	$795,243
Howard	$385,174	$411,600	$232,572	$365,377	$122,087	$117,927	$619,906	$1,358,967	$1,688,978	$1,134,407
Kent	$11,678	$77,209	$35,937	$48,769	$29,234	$77,774	$108,928	$244,208	$192,736	$67,135
Montgomery	$609,865	$1,877,782	$1,112,403	$720,447	$251,090	$146,311	$3,136,505	$3,048,641	$6,547,712	$2,471,939
Prince George's	$546,963	$330,311	$73,407	$99,805	$27,079	$453,148	$685,003	$1,503,023	$2,672,124	$1,125,217
Queen Anne's	$136,049	$67,060	$170,961	$62,928	$71,103	$64,010	$112,415	$175,365	$157,561	$101,113
St. Mary's	$52,231	$93,485	$36,005	$41,919	$36,178	$97,112	$418,576	$244,179	$129,037	$109,838
Somerset	$33,611	$10,990	$7,399	$9,455	$18,657	$17,249	$14,342	$38,554	$16,885	$30,613
Talbot	$43,381	$163,896	$75,751	$146,344	$114,446	$69,417	$129,811	$269,262	$138,150	$288,038
Washington	$189,087	$199,355	$80,619	$128,109	$84,206	$196,025	$537,627	$783,241	$311,792	$82,610
Wicomico	$152,689	$141,652	$85,622	$390,792	$127,345	$169,115	$187,462	$477,919	$371,637	$194,121
Worcester	$41,682	$118,909	$36,067	$26,213	$29,519	$24,519	$205,032	$90,610	$124,383	$47,258
TOTAL	$4,499,119	$5,916,700	$4,111,611	$4,247,746	$2,858,851	$3,443,109	$13,061,763	$18,244,568	$19,025,643	$12,184,580