

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Preliminary

MC 11-18

(Montgomery County Delegation)

**Montgomery County - Uniformity of Property Tax Assessments - Country Clubs
and Golf Courses MC 11-18**

This proposed Constitutional Amendment eliminates the special use assessment for county clubs or golf courses in Montgomery County. The bill provides that any agreement between the State Department of Assessments and Taxation (SDAT) and a country club or golf course that is in effect prior to the effective date of the bill is null and void at the earlier of the expiration of the special use agreement or June 30, 2029.

The bill takes effect June 1, 2018, and applies to taxable years beginning after June 30, 2019, contingent upon passage of the Constitutional Amendment by qualified voters at the November 2018 general election.

Fiscal Summary

State Effect: State property tax revenues increase upon expiration of special use assessment agreements in Montgomery County. Total State property tax revenues may increase by approximately \$1.0 million by FY 2030.

Local Effect: Montgomery County property tax revenues increase upon expiration of special use assessment agreements in Montgomery County. Total county property tax revenues may increase by approximately \$10.0 million by FY 2030.

Small Business Effect: Minimal.

Analysis

Current Law: For assessment purposes, property in the State is divided into two classes of property – real and personal – and each property class consists of several subclasses.

Real property is divided into the following subclasses: (1) land that is actively devoted to farm or agricultural use; (2) marshland; (3) woodland; (4) land of a country club or golf course; (5) land that is used for a planned development; (6) rezoned real property that is used for residential purposes; (7) operating real property of a railroad; (8) operating real property of a public utility; (9) specified income producing real property; (10) conservation property; and (11) all other real property that is assessed.

Personal property is divided into the following subclasses: (1) stock in business; (2) distilled spirits; (3) operating personal property of a railroad; (4) operating personal property of a public utility that is machinery or equipment used to generate electricity or steam for sale; (5) all other operating personal property of a public utility; (6) machinery and equipment, other than operating personal property of a public utility, that is used to generate: electricity or steam for sale or hot or chilled water for sale that is used to heat or cool a building; and (7) all other personal property that is assessed.

Assessment of Golf Courses and Country Clubs

A golf course that is open to the public is eligible for a special use assessment if it is located on at least 50 acres of land on which is maintained a regular or championship golf course of at least nine holes.

A country club is eligible for a special use assessment if it (1) has at least 100 members, who pay dues averaging \$50 or more annually for each member; (2) restricts use of its facilities primarily to members, families, and guests; and (3) is located on at least 50 acres of land, on which is maintained a regular or championship golf course of at least nine holes and a clubhouse.

SDAT may make agreements with country clubs and golf courses that specify the manner of assessing the land of a country club or golf course. All of these agreements must contain uniform provisions. An agreement must be for at least 10 consecutive years or for a longer period as determined by the country club or golf course and SDAT. An agreement may be extended by increments of at least five years.

Except as otherwise provided, land owned by a country club or golf course is typically assessed at \$1,000 per acre, subject to an agreement with SDAT, which is the same rate that is applied to land subject to specified open space easements.

Background: The following country clubs and golf courses in Montgomery County have special use assessment agreements with SDAT:

- Argyle Country Club
- Bethesda Country Club
- Chevy Chase Club
- Columbia Country Club
- Congressional Country Club
- Kenwood Golf & Country Club
- Lakewood Country Club
- Manor Country Club
- Members Club at Four Streams
- Montgomery Country Club
- Norbeck Country Club
- Tournament Players Club at Avenel
- Woodmont Country Club
- Cross Creek Golf Club
- Blue Mash Golf Course

State Fiscal Effect: As noted, there are currently 15 country clubs and golf courses in Montgomery County that have special use assessment agreements with SDAT. Approximately 3,000 acres of land are currently subject to these agreements. The land subject to these agreements are assessed at \$1,000 per acre which results in total land assessment for these clubs and golf courses of \$3 million. SDAT reports that these clubs have a total assessment of approximately \$105.7 million. Based on this data, improvements to the land (buildings) have an assessment of approximately \$102.7 million. All property belonging to these golf courses and country clubs are valued at market value, except for the 3,000 acres subject to the special use assessment.

The bill alters how the 3,000 acres of land subject to special use assessment agreements are valued by making these acres subject to market value assessment. If this land was assessed at market value rather than at \$1,000 per acre it would be valued at approximately \$983.3 million in fiscal 2019.

The State real property tax rate is \$0.112 per \$100 of assessment. Based on this data, State property tax revenues could increase by approximately \$1.1 million if all club land was subject to a market value assessment in fiscal 2019.

The bill specifies that current agreements will be null and void at the expiration of the special use assessment agreement or June 30, 2029, whichever occurs first. As a result, property tax revenues will begin to increase as agreements expire, but the full effect of the projected property tax revenue increase will not occur until fiscal 2030.

Local Fiscal Effect: Based on the potential increase in State property tax revenues due to the increased land value assessment for country clubs and golf courses in Montgomery County, county property tax revenues could increase by approximately \$10.0 million in fiscal 2030. The estimate is based on the county's fiscal 2018 real property tax rate of \$1.013 per \$100 of assessment.

The bill specifies that current agreements will be null and void at the expiration of the special use assessment agreement or June 30, 2029, whichever occurs first. As a result, property tax revenues will begin to increase as agreements expire, but the full effect of the projected property tax revenue increase will not occur until fiscal 2030.

Additional Information

Prior Introductions: None.

Cross File: Unavailable at this time.

Information Source(s): State Department of Assessments and Taxation; Montgomery County; Department of Legislative Services

Fiscal Note History:
md/hlb

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