

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Preliminary

MC 27-19

(Montgomery County Delegation)

**Montgomery County - Country Clubs and Golf Courses - Rate of Assessment
and Term of Agreements MC 27-19**

This proposed constitutional amendment alters the special use assessment for golf courses and country clubs in Montgomery County. In addition, agreements that are entered into between golf courses and country clubs in Montgomery County and the State Department of Assessments and Taxation (SDAT) may not exceed five consecutive years and may only be extended in increments of five years or less. The bill applies to any agreement that was entered into on or after June 1, 2020. For agreements that were entered into before June 1, 2020, the bill applies at the earlier of the expiration of the agreement or June 30, 2031. **The bill takes effect June 1, 2020, and applies to taxable years beginning after June 30, 2021, contingent upon passage of the Constitutional Amendment by qualified voters at the November 2020 general election.**

Fiscal Summary

State Effect: State property tax revenues (annuity bond fund) increase upon expiration of special use assessment agreements. Total State property tax revenues may increase by approximately \$231,400 by FY 2032.

Local Effect: County and municipal property tax revenues in Montgomery County increase upon expiration of special use assessment agreements. Total county property tax revenues may increase by approximately \$2.1 million by FY 2032.

Small Business Effect: None.

Analysis

Bill Summary: The bill specifies that land of a golf course or country club in Montgomery County that is actively used as a golf course or country club and meets specified use requirements and has a per acre value of more than \$500,000 is assessed at the difference by which the per acre assessment exceeds \$500,000 and the per acre market value.

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 golf courses and country clubs that specify the manner of assessing the land of a golf course or country club. 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 golf course or country club and SDAT. An agreement may be extended by increments of at least 5 years.

Except as otherwise provided, land owned by a golf course or country club 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 golf courses and country clubs 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 golf courses and country clubs in Montgomery County that have special use assessment agreements with SDAT. Approximately 3,000 acres of land are currently subject to these agreements. The acreage subject to these agreements is assessed at \$1,000 per acre which results in total land assessment for these golf courses and country clubs of approximately \$3.0 million. SDAT reports that these properties have a total assessment of approximately \$106.1 million. Based on this data, improvements to the land (buildings) and other land that is not used for each course have an assessed value of approximately \$103.1 million. All property belonging to these golf courses and country clubs are valued at market value, except for the 3,000 or so acres subject to the special use assessment. Per acre assessments range from \$12,500 per acre to close to \$1.1 million per acre.

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 the per acre value of the land is less than \$500,000 per acre, the land will still be assessed at \$1,000 per acre, or the current rate special land use assessment rate. However, if the land has a market value of over \$500,000 per acre, it will be assessed at the difference between \$500,000 per acre and the market rate assessment per acre.

Based on the most recent assessment data from SDAT, there are four golf courses and country clubs (Bethesda, Chevy Chase, Columbia, and Kenwood) that have a per acre assessment of over \$500,000 per acre. The average assessment per acre, after being adjusted to exclude any improvements to the land that are not eligible for the special use assessment, ranges from approximately \$637,200 per acre to almost \$1.1 million per acre.

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 \$231,400 from the four golf courses and country clubs that have an average per acre assessment of more than \$500,000 per acre. As a result, property tax revenues will begin to increase as agreements expire, but the full effect of the projected property tax revenue increase may not occur until fiscal 2032.

Local Fiscal Effect: Based on the potential increase in State property tax revenues due to the increased land value assessment for golf courses and country clubs in Montgomery County, county property tax revenues could increase by approximately \$2.1 million in fiscal 2032. The estimate is based on the county's fiscal 2019 real property tax rate of \$0.993 per \$100 of assessment. As a result, property tax revenues will begin to increase as agreements expire, but the full effect of the projected property tax revenue increase may not occur until fiscal 2032.

Additional Information

Prior Introductions: None.

Cross File: Unavailable at this time.

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

Fiscal Note History:
mag/hlb

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