

A substantial reform of the tax systems is essential, whether public expenditures must be increased or can be reduced.

*—President's Commission on
National Goals*

Public planning policies affect land values and land values affect the private development of the Regional District. Therefore, the success of any General Plan is largely dependent upon keeping public policies, land values, and development in proper relation to each other. Establishing real estate tax assessment procedures which recognize public planning policies will go far toward doing this. Zoning restrictions, and the preferential treatment of certain land uses which are to be encouraged, should be reflected in assessments.

It may be argued that taxation should be used only for producing revenue and not for influencing private real estate development, but no matter what the intent, any real estate tax will have some effect on development. The purpose here is to assure that this effect is favorable to General Plan objectives rather than harmful.

RELATING LAND ASSESSMENTS TO ZONING

There can be no other equitable basis for assessing land than its fair market value. Up to the present this basic rule has been imperfectly applied in the Regional District, in that zoning categories have been considered to affect market values only in terms of the three major classifications: residential, commercial, and industrial. This is an over-simplified rule of thumb which fails to reflect true conditions.

It is well known to all who understand local real estate that the market value of land varies materially for each of the sub-classifications of zoning in Montgomery and Prince George's Counties. These differences in value should be reflected in the real estate tax that each owner is required to pay. Otherwise, those who secure zoning changes for speculative advantage are being subsidized, while property owners in low density zones are carrying an inequitable share of the tax burden.

County tax assessment officers should increase their staffs as necessary to avoid a backlog of assesment inequities, to capture revenues which are now lost, and to take better account of adopted zoning.

Equitable and prompt realty reassessments, following immediately on the heels of rezoning approvals, will do much to discourage purely speculative rezoning requests based upon overly optimistic estimates of the need for land in intensive classifications. Property owners will not be very eager to pay higher taxes when they are aware that the odds against making windfall profits are slim.

ACTION: Establish administrative procedures to more fully recognize the relationship of zoning to assessed values of real estate.

RELATING PREFERENTIAL ASSESSMENTS TO LAND USE

Educational and religious uses of land have traditionally been exempted from real estate taxes in Maryland. In 1960 farm lands were also given preferential treatment whereby they are to be assessed only in relation to their value for agricultural uses so long as they are being farmed. Special tax treatment is in order when it can be shown to be in the public interest. The public interest is clear in the case of educational and religious uses, but it is not so clear in the case of agricultural uses. We need to take a second look at privileged agricultural assessments.

Agricultural Assessments

Preserving rural incomes and encouraging farms to remain important providers of open space in the metropolitan scheme of things are legitimate justifications for preferential tax treatment of farm land. The 1960 statute giving a privileged assessment status to lands actively devoted to agriculture is based on a determination of whether or not a *bona fide* farm exists. On the surface this measure sounds laudable, but the specific wording of the Act has often had the effect of subsidizing land speculators and urban developers, encouraging urban sprawl contrary to the principles of this General Plan.

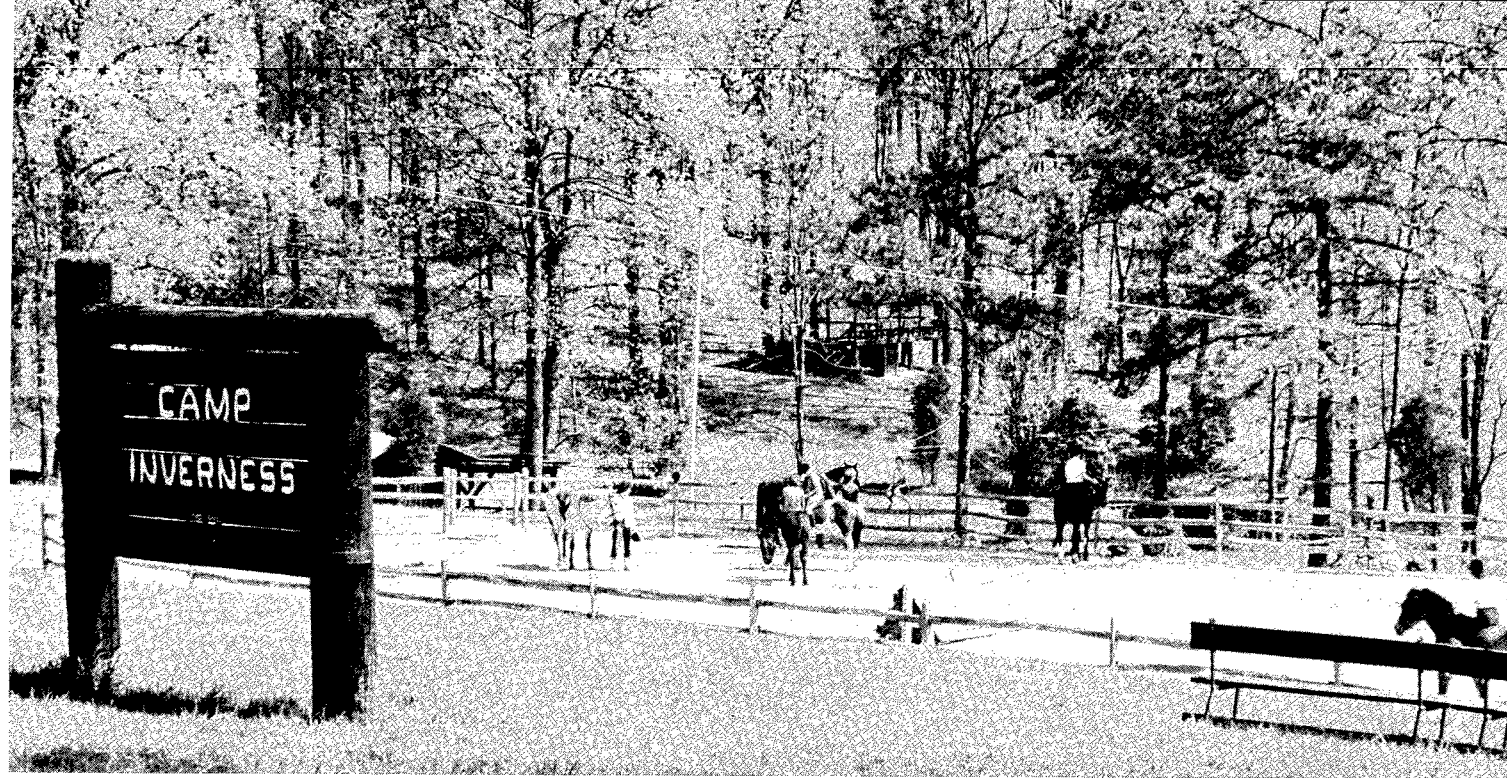
The Act states, in effect, that any land used as farm land must be taxed as farm land if the owner requests preferential treatment. Under this present wording, the courts have already held that even when an owner has had his land rezoned for commercial use, he may still enjoy the privilege of the low farm assessment. It has also been held that the actual filing of a subdivision plat on the land, dividing it into building lots, is no cause for revoking the privileged assessment. In either case, all

the ex-farmer needs to do to reap his tax privilege is to keep a crop in the ground as a holding operation up to the moment he is ready to cash in on his excess profits. This state of things obviously discourages the *bona fide* farmer, and tends to convert him into a land speculator.

The basic difficulty with the existing law is that the privileged farm assessment is not tied to zoning. The law should require that farms, to qualify for the low assessment, must be in a rural zone or, if such zone has not been enacted, the qualifying farm should be in the largest lot residential zone. This provision would close the loophole in the existing law and make it a truly effective means of aiding farmers and preserving metropolitan open space in the form of agricultural lands. The privileged assessment and resulting low tax bill should be considered the public's payment to maintain a highly desirable type of open space.

Other devices for preserving farm land as open space may have to be tried if the preferential assessment procedure cannot be made to work properly. Two possible devices are deferred taxation payable when the farm is sold, and a capital gains tax on the sale of farm land. Although these tax collections might have the desired effect of decreasing land speculation with farms that should remain rural, they present numerous administrative difficulties.

ACTION: Amend the state Agricultural Assessment Act to require rural or large lot residential zoning, in addition to agricultural use, on land receiving preferential tax treatment.



View from Camp Inverness, Assateague

Agriculture is only one of the planned uses of land in the open space wedges separating the urban corridors. A whole concert of uses must be encouraged to maintain both the character and the viability of the rural and conservation zones. Many of these uses serve the same important function as the farm—to keep the open space open. Consequently, preferential tax treatment to encourage them may also be justifiable.

The 1960 amendment to Article 15 of the Declaration of Rights of the Maryland Constitution appears to permit preferential tax assessment of all open space uses. Therefore it is recommended that implementing legislation be enacted by the State Legislature to apply preferential assessments to lands used for such purposes as country clubs, golf courses, and community swimming pools.

ARTICLE 15 of the State Constitution provides that the tax treatment of these conservation and recreation uses of land should provide assessment at an amount

suburban taxing areas

In order to collect adequate revenues to provide for street cleaning and maintenance, street lighting, storm drainage and other urban services, special tax districts are established in urban parts of the counties and additional taxes are collected. The largest such district is the Suburban District in Montgomery County. As the urban pattern recommended by the General Plan develops, this district should be expanded to coincide with it. The many small and scattered Special Improvement Districts in Prince George's County should be consolidated into a single district covering all unincorporated portions of the suburban area. Sectional zoning map amendments opening new areas to intensive urbanization in accordance with sequential zoning procedures, mentioned in the preceding chapter, should be followed immediately by an expansion of the appropriate county's suburban tax district to include these new areas of high service costs.

If average lot size and planned community developments become more widely used, open spaces for recreational use in connection with them will become numerous and the maintenance cost will become great. Owners' associations may manage some of these open spaces but the public may fall heir to others. Public costs of this kind should be defrayed, at least in part, by either a tax resembling front foot benefit charges or by putting cluster developments into special tax districts for maintenance charges.

