Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 646 Delegate Rudolph, et al.)
Ways and Means

Income Tax - Gain Recognized on Sale of Preservation or Conservation Easements

---

This bill provides a subtraction modification under the Maryland individual income tax for any gain recognized on the sale or other disposition of an easement or other interest in agricultural land to the Rural Legacy Program, the Maryland Environmental Trust (MET), the Maryland Agricultural Land Preservation Foundation (MALPF), an agricultural land preservation program or transferable development rights program established by a county, or the State or local governing body under Program Open Space (POS).

The bill takes effect July 1, 2001, and applies to all taxable years beginning after December 31, 2000.

Fiscal Summary

State Effect: Potential significant general fund revenue decrease. The extent of any revenue decrease depends on the gain realized from the sale of land to land preservation programs and the amount of land sold.

Local Effect: Local government revenues would decrease by approximately 2.74% of the total State subtraction.

Small Business Effect: Minimal.

Analysis

Current Law: No subtraction modification exists for any gain recognized on the sale or disposition of land to land preservation programs.

State Fiscal Effect: The extent of any revenue decrease depends on the gain realized from the sale of land to land preservation programs and the amount of land sold and cannot be reliably estimated at this time. However, the revenue loss could be significant.

Exhibit 1 sets forth land acquisition program allowances in the proposed fiscal 2002 budget.

Fiscal 2002
Land Acquisition Allowances

Program	Amount (millions)
Program Open Space/MET	$67.403
MALPF	28.157
Rural Legacy	38.649
Total	$134.209

[1]Includes $25 million in GO bonds.

If it is assumed that all of these funds are used to purchase easements in fiscal 2002 and that the original purchase prices represent 50% of total sales, then a net gain of approximately $67.1 million would be reported and therefore would be eligible to be subtracted. As a result, general fund revenues would decrease by approximately $3.22 million in fiscal 2002.

Revenues would also decrease as a result of easements being sold to local agricultural land preservation programs or transferable development rights programs. The number of easements and the sale prices of these easements are not known at this time. As a point of reference, however, Montgomery County will spend approximately $6.7 million to purchase land for conservation or preservation.

Local Fiscal Effect: Local government revenues would decrease by approximately 2.74% of the total State subtraction in fiscal 2002.

Additional Comments: To the extent the gain from the sale of an easement is deducted on a taxpayer's federal income tax return, this deduction will flow through to the Maryland income tax return.

Additional Information

Prior Introductions: A similar bill was introduced as HB 661 in the 2000 session. It was referred to interim study by the Senate Budget and Taxation Committee.

Cross File: None.

Information Source(s): Office of the Comptroller (Bureau of Revenue Estimates), Maryland Department of Agriculture, Department of Legislative Services

Fiscal Note History: First Reader – March 7, 2001
cm/cer

---

nalysis by: Michael Sanelli

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510