

Department of Legislative Services
 Maryland General Assembly
 2014 Session

FISCAL AND POLICY NOTE

House Bill 1441 (Delegate Schuh, *et al.*)
 Rules and Executive Nominations

Income Tax Credit - Floating Garden Equipment

This bill creates a nonrefundable tax credit against the State individual income tax for 100% of the purchase price of equipment purchased during the taxable year used to install or maintain floating gardens. A floating garden is a device that is a man-made aquatic feature that is deployed into a body of water, provides adequate buoyancy for the establishment of plant communities, is planted only with native aquatic plants, relies on available nutrients in a body of water rather than a prepared mineral nutrient solution, and provides environmental benefits. The credit may not exceed the lesser of \$500 or the individual’s State income tax liability. Any unused amount of the credit may not be carried forward to another taxable year.

The bill takes effect July 1, 2014, and applies to tax year 2014 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease beginning in FY 2015 due to the tax credit. Assuming 300 individuals qualify for the credit each year and have a tax liability of over \$500, State revenues decrease by \$150,000 annually. State expenditures increase by \$48,000 in FY 2015.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Revenue	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)
GF Expenditure	\$48,000	\$0	\$0	\$0	\$0
Net Effect	(\$198,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal. Small businesses that sell floating garden equipment may benefit from an increase in sales.

Analysis

Current Law: State law provides an income tax credit for the purchase price of an aquaculture oyster float that is (1) purchased new; (2) specifically designed for the purpose of growing oysters at or under an individual homeowner's pier; and (3) constructed to be fully buoyant and facilitate the growth of oysters for the width of the pier.

State Revenues: General fund revenues decrease beginning in fiscal 2015. However, the amount of the revenue loss depends on the amount of qualifying floating garden equipment purchased and the costs of the floating garden equipment. Given that 100% of the expense incurred by an individual to purchase floating garden equipment is offset by a tax credit of the lesser of \$500 or the individual's income tax liability, it is assumed that individuals interested in a floating garden would purchase \$500 of floating garden equipment. Only a small percentage of households have access to bodies of water in which to establish a floating garden, so the Comptroller's Office estimates approximately 300 individuals are likely to claim the credit each year. Assuming 300 individuals purchase \$500 of floating garden equipment and claim the credit, general fund revenues decrease by \$150,000 annually.

State Expenditures: The Comptroller's Office reports that it would incur a one-time expenditure increase of \$48,000 to add the tax credit to the personal income tax form. This includes data processing changes to the SMART income tax return processing and imaging systems and system testing. Additionally, the Comptroller's Office may incur potential additional costs to administer the tax credit and ensure compliance of the credit.

Additional Information

Prior Introductions: None.

Cross File: SB 568 (Senator Simonaire) - Budget and Taxation.

Information Source(s): Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2014
ncs/jrb

Analysis by: Heather N. Ruby

Direct Inquiries to:
(410) 946-5510
(301) 970-5510