

Department of Legislative Services  
Maryland General Assembly  
2015 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 694

(Senator Manno)

Budget and Taxation

Ways and Means

---

Income Tax Credit - Oyster Shell Recycling - Credit Amount

---

This bill increases the oyster shell recycling income tax credit to \$5.00, instead of \$1.00, for each bushel of oyster shells recycled during the taxable year, not to exceed \$750 per tax return.

The bill takes effect July 1, 2015, and applies to tax year 2015 and beyond.

---

Fiscal Summary

**State Effect:** General fund, Transportation Trust Fund (TTF), and Higher Education Investment Fund (HEIF) revenues decrease by a minimal amount from FY 2016 through 2018 as discussed below. The Comptroller's Office can implement the bill with existing resources.

**Local Effect:** Potential minimal decrease in local highway user revenues from FY 2016 through 2018. Expenditures are not affected.

**Small Business Effect:** Minimal. Qualifying small businesses that recycle oyster shells would be positively impacted through lower income taxes.

---

Analysis

**Current Law:** Chapters 278 and 279 of 2013 created a nonrefundable tax credit against the State income tax equal to \$1.00 for each bushel of oyster shells recycled during the taxable year, not to exceed \$750 per tax return. The oyster shell recycling tax credit may not be carried over to any other tax year. An individual or corporation claiming the credit must be able to verify the cost incurred. The credit terminates on June 30, 2018.

**Background:** Since 1994, the Chesapeake Bay's oyster population has languished at 1% of historic levels; suitable oyster habitat has decreased 80%, and the number of harvesters has dwindled from 2,000 in the mid-1980s to approximately 550 annually since 2002. To help reverse this trend, DNR unveiled a new management and restoration plan, the Oyster Restoration and Aquaculture Development Plan, for oysters and the State's oyster industry in December 2009. The plan increased the State's network of oyster sanctuaries from 9% to 24% of the bay's remaining quality oyster bars, established oyster aquaculture leasing opportunities and related financial assistance programs, and maintained 76% of the bay's remaining quality oyster habitat for a public oyster fishery.

Recycled oyster shells are used as setting material for new spat (baby oysters) to be planted back into the Chesapeake and Coastal Bays. Each recycled shell can become home to 10 new oysters as new oysters prefer to attach and grow onto other oyster shells. A healthy oyster reef filters the Chesapeake Bay's waters and provides habitat for an underwater community that furnishes life support for blue crabs and fish. Maryland harvested 341,132 bushels of oysters during the 2012 to 2013 oyster season.

The Oyster Recovery Partnership (ORP) is a cooperative coalition of partners that contribute to a large-scale restoration program that plants disease-free oysters back into the Chesapeake Bay. ORP collects oyster shells from hundreds of restaurants, caterers, and seafood wholesalers throughout Maryland, Virginia, the District of Columbia, and Delaware.

**State Revenues:** General fund, TTF, and HEIF revenues decrease by a minimal amount from fiscal 2016 through 2018 to the extent that individuals and businesses in the State opt to recycle oyster shells. In 2014, 35 individuals and corporations were eligible to claim up to \$6,374 of oyster shell recycling income tax credits, but it is unknown how many credits were actually claimed. Assuming the number of bushels of oyster shells recycled is similar to the number of bushels claimed in 2014, the annual revenue loss would be approximately \$25,500 from fiscal 2016 through 2018.

**Local Revenues:** Local governments receive a portion of corporate income tax revenues to support the construction and maintenance of local roads and other transportation facilities. To the extent the oyster shell recycling income tax credit is claimed by corporations, local highway user revenues decrease by a minimal amount from fiscal 2016 through 2018.

---

## Additional Information

**Prior Introductions:** None.

**Cross File:** HB 815 (Delegate Lafferty) - Ways and Means.

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

**Fiscal Note History:** First Reader - February 23, 2015  
min/jrb Revised - Enrolled Bill - May 7, 2015

---

Analysis by: Heather N. Ruby

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