

**Department of Legislative Services**  
Maryland General Assembly  
2016 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 188 (Anne Arundel County Senators)  
Budget and Taxation

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**Income Tax - Oyster Shell Recycling - Credit Amount**

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This bill increases the maximum amount of the oyster shell recycling income tax credit that an individual or corporation may claim from \$750 per tax return to \$5,000 per tax return.

The bill takes effect July 1, 2016, and applies to tax year 2016 and beyond.

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**Fiscal Summary**

**State Effect:** General fund, Transportation Trust Fund (TTF), and Higher Education Investment Fund (HEIF) revenues decrease by a minimal amount in FY 2017 and 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 in FY 2017 and 2018. Expenditures are not affected.

**Small Business Effect:** Minimal. Qualifying small businesses that recycle more than 150 bushels of oyster shells and have tax liability of over \$750 would be positively impacted through up to \$4,250 in lower income taxes.

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**Analysis**

**Current Law:** There is a nonrefundable tax credit against the State income tax equal to \$5.00 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 costs incurred. The credit terminates on June 30, 2018.

**Background:** 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 416,578 bushels of oysters during the 2013 to 2014 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 in fiscal 2017 and 2018 to the extent that individuals and businesses in the State opt to recycle more than 150 bushels of oyster shells and have a tax liability exceeding \$750.

In 2014, 100 individuals and corporations were eligible to claim up to \$7,581 of oyster shell recycling income tax credits. However, the Comptroller only identified eight individual income tax returns that claimed a total of \$1,708 in tax credits. It is unknown how many credits were actually claimed against the corporate income tax, but the Comptroller reports less than three restaurants claimed an insignificant amount against the corporate income tax.

In 2015, 148 individuals and corporations were eligible to claim up to \$46,174 of oyster shell recycling income tax credits, of which 29 individuals and corporations were eligible to claim the maximum \$750 in credits. Assuming the number of bushels of oyster shells recycled per individual or corporation is similar to that of 2015 and individuals and corporations have enough tax liability to take the full credit, the annual revenue loss would be approximately \$37,700 in fiscal 2017 and 2018. However, the actual revenue loss is likely less, as not every individual or corporation eligible to claim the credit will actually receive the credit. The Comptroller estimates that approximately 75% of corporations that are restaurants did not have any tax liability between 2012 and 2014, so those restaurants without tax liability would be unable to claim the credit.

**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 that the oyster shell recycling income tax credit is claimed by corporations that recycle more than 150 bushels of oyster shells and have tax liability over \$750, local highway user revenues decrease by a minimal amount in fiscal 2017 and 2018.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 427 (Delegate Sophocleus – By Request Anne Arundel County Administration) – Ways and Means.

**Information Source(s):** Comptroller’s Office, University System of Maryland, Department of Natural Resources, Department of Legislative Services

**Fiscal Note History:** First Reader - January 29, 2016  
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