HB 754

Department of Legislative Services

Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 754 (Delegate Shank, *et al.*)
Ways and Means

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

This bill provides an income tax subtraction modification under the Maryland individual income tax for gain recognized on the sale or other disposition of a preservation or conservation easement or other interest in agricultural land to the Rural Legacy Program, the Maryland Environmental Trust, the Maryland Agricultural Land Preservation Foundation, an agricultural land preservation program or transferable development rights program established by a county, or the Maryland Historical Trust.

The bill takes effect July 1, 2000, and applies to all taxable years beginning after December 31, 1999.

Fiscal Summary

State Effect: Potential significant decrease in general fund revenues. The extent of any decrease depends on the number of easements sold to the various State and local land preservation agencies, the acquisition cost per acre, and the amount of any gain realized from the sale.

Local Effect: Local revenues would decline by approximately 2.67% of the total subtraction taken, or 55% of the State loss for recognized gains from the sale of conservation easements.

Small Business Effect: Minimal.

Analysis

Current Law: No subtraction modification of this type exists.

State Fiscal Effect: According to the Maryland Agricultural Land Preservation Foundation, 104 easements were purchased in fiscal 1999 with an average acreage of 137 and a $1,619 per acre average acquisition cost. The Maryland Environmental Trust purchased an average of five easements per year over the past seven years with an average acreage of 122 (4,519 total acres) with an average acquisition cost of $1,619 per acre. The Rural Legacy Program acquired 812 acres that were approved by the Board of Public Works in 1999. The total cost of this land was approximately $2.2 million.

Based on the above data, it is estimated that a total of $26.2 million worth of easements are sold to the State each year. Assuming that the gain realized is 50% of the sale price, then the total net gain reported would be $13.1 million. For tax year 2000, general funds will decline by 4.85% of the total amount subtracted. As a result, general fund revenues would decrease by approximately $635,000 in fiscal 2001.

However, the actual cost of the bill depends on the number of easements sold to both State and local land preservation and transferable development rights programs, and the acquisition cost of each easement. Information on the number of easements sold to local programs each year is not readily available. As a result, subtractions taken for easements sold to local programs would increase the amount of the revenue decrease above what is lost to subtractions taken for easements sold to State programs. Also, to the extent that the bill increases the sale of conservation easements to these programs, both State and local, the revenue loss would be even greater.

Also, to the extent that the gain realized is more or less than 50%, the cost of the subtraction would increase or decrease accordingly.

Local Fiscal Effect: Local revenues would decline by approximately 2.67% of the total subtraction taken, or 55% of the State loss for recognized gains from the sales of conservation easements.

Additional Information

Prior Introductions: None.

Cross File: None.
Information Source(s): Maryland Department of Agriculture, Comptroller of the Treasury (Bureau of Revenue Estimates), Maryland Department of the Environment, Department of Natural Resources, Department of Legislative Services

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cm/jr

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