

# Department of Legislative Services

Maryland General Assembly

2000 Session

## FISCAL NOTE

House Bill 997 (Delegate Bartlett. *et al.*)

Ways and Means

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### Farm Employment Tax Incentives

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This bill allows a subtraction modification under the Maryland individual income tax for 20% of the wages received for agricultural work. The bill also allows an individual or corporation a credit against the State income tax for 1% of the wages paid for agricultural work.

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

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### Fiscal Summary

**State Effect:** General fund revenue decrease of approximately \$1.93 million in FY 2001. Transportation Trust Fund revenue decrease of approximately \$196,000 in FY 2001. Future years reflect 3% growth in total payroll. No effect on expenditures.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	(\$1.93)	(\$1.97)	(\$2.02)	(\$2.08)	(\$2.14)
SF Revenues	(\$0.196)	(\$0.202)	(\$0.208)	(\$0.214)	(\$0.220)
GF Expenditures	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Effect	(\$2.126)	(\$2.172)	(\$2.228)	(\$2.294)	(\$2.360)

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

**Local Effect:** Local government revenue decrease of approximately \$682,000 in FY 2001.

**Small Business Effect:** Meaningful. Small agricultural businesses will be able to claim a credit against the State income tax for wages paid to agricultural workers that they hire. This allows them to reduce their State income tax liability.

**State Fiscal Effect:** General fund revenues would decrease by approximately \$1.93 million and Transportation Trust Fund (TTF) revenue would decrease by approximately \$196,000 in fiscal 2001 based on the following facts and assumptions:

- in 1997 there were 21,212 hired farm workers with a total payroll of \$102,425,000;
- total payroll increases by 3% annually;
- one-half of all employers are corporations; and
- the maximum credit is claimed.

Future year estimates reflect a 3% growth in total payroll.

**Local Fiscal Effect:** Local revenues would decline by approximately 2.67% of the total subtraction taken, or 55% of the State loss for farm wages. In addition, local government revenues would decline as a result of corporate returns claiming the credits proposed in the bill. As mentioned above, 75% of corporate tax revenues are distributed to the general fund, and 25% are distributed to the TTF. Of the 25% distributed to the TTF, approximately 30% is distributed to local jurisdictions. Based on the estimate above, the reduction would be \$681,608 for fiscal 2001.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 7, 2000  
jir/jr

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