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Hecht, Stull, Conroy, Wood, Kagan, Hutchins, Walkup, Redmer,
Brinkley, and Owings**

Introduced and read first time: January 17, 2001
Assigned to: Ways and Means

A BILL ENTITLED

A 1 ncerning

Income Tax - Credit for Land Rented to Farmers

FOR the purpose of allowing an individual to claim a credit against the State income tax for the rental of certain land to certain farmers, subject to certain limitations; providing for the determination of the amount of a certain credit for nonresidents and part-year residents in a certain manner; defining certain terms; providing for the application of this Act; and generally relating to a credit against the State income tax for the rental of certain land to certain farmers.

BY adding to
Article - Tax - General
Section 10-722
Annotated Code of Maryland
(1997 Replacement Volume and 2000 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article - Tax - General

10-722.

(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(2) "AGRICULTURAL LAND" MEANS LAND THAT:

(I) IS LOCATED IN THE STATE; AND

(II) IS ACTIVELY USED FOR FARM OR AGRICULTURAL USE WITHIN THE MEANING OF § 8-209 OF THE TAX - PROPERTY ARTICLE.

(3) "AGRICULTURAL OPERATION" MEANS AN OPERATION FOR THE PROCESSING OF AGRICULTURAL CROPS OR ON-FARM PRODUCTION, HARVESTING, OR MARKETING OF ANY AGRICULTURAL, HORTICULTURAL, SILVICULTURAL, AQUACULTURAL, OR APICULTURAL PRODUCT THAT HAS BEEN GROWN, RAISED, OR CULTIVATED BY THE FARMER.

(4) "GROSS RENTAL INCOME" MEANS THE ACTUAL INCOME RECEIVED BY AN INDIVIDUAL THAT RESULTS DIRECTLY FROM THE RENTAL OF AGRICULTURAL LAND OWNED BY THE INDIVIDUAL.

(5) "QUALIFIED FARMER" MEANS AN INDIVIDUAL WHO INITIATES AN AGRICULTURAL OPERATION WITHIN A PERIOD NOT EXCEEDING 10 YEARS FROM THE DATE THAT A SHARE-RENTAL AGREEMENT IS RECORDED.

(6) "SHARE-RENTAL AGREEMENT" MEANS A WRITTEN AGREEMENT BETWEEN AN OWNER OF AGRICULTURAL LAND AND A QUALIFIED FARMER AUTHORIZING THE QUALIFIED FARMER TO ESTABLISH AN AGRICULTURAL OPERATION ON THE OWNER'S AGRICULTURAL LAND FOR THE PAYMENT OF CONSIDERATION TO THE OWNER.

(B) SUBJECT TO THE PROVISIONS OF THIS SECTION, AN INDIVIDUAL MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX IN AN AMOUNT EQUAL TO 5 OF THE GROSS RENTAL INCOME RECEIVED UNDER A SHARE-RENTAL AGREEMENT DURING THE TAXABLE YEAR.

(C) (1) FOR ANY TAXABLE YEAR, THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT EXCEED THE LESSER OF:

(I) \$1,000; OR

(II) THE STATE INCOME TAX IMPOSED FOR THE TAXABLE YEAR, CALCULATED BEFORE THE APPLICATION OF THE CREDITS ALLOWED UNDER THIS SECTION AND UNDER §§ 10-701 AND 10-701.1 OF THIS SUBTITLE BUT AFTER THE APPLICATION OF ANY OTHER CREDIT ALLOWED UNDER THIS SUBTITLE.

(2) THE UNUSED AMOUNT OF THE CREDIT MAY NOT BE CARRIED OVER TO ANY OTHER TAXABLE YEAR.

(D) OF THE AMOUNT DETERMINED UNDER SUBSECTIONS (B) AND (C) OF THIS SECTION, AN INDIVIDUAL WHO IS A NONRESIDENT OR IS A RESIDENT OF THE STATE FOR ONLY A PART OF THE YEAR IS ALLOWED ONLY A FRACTION:

(1) THE NUMERATOR OF WHICH IS THE INDIVIDUAL'S MARYLAND ADJUSTED GROSS INCOME; AND

(2) THE DENOMINATOR OF WHICH IS THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2001, and shall be applicable to all taxable years beginning after December 31, 2000.