

**Department of Legislative Services**  
Maryland General Assembly  
2001 Session

**FISCAL NOTE**

House Bill 134      (Delegate Glassman, *et al.*)  
Ways and Means

**Income Tax - Credit for Land Rented to Farmers**

This bill provides a tax credit against the State income tax for an amount equal to 5% of the “gross rental income” received under a “rental-share agreement” for “agricultural land” during the taxable year. The credit allowed in any taxable year may not exceed the lesser of \$1,000 or the State income tax imposed for the taxable year. The credit may not be carried forward to any other taxable year.

The bill takes effect July 1, 2001, and applies to all taxable years beginning after December 31, 2000.

**Fiscal Summary**

**State Effect:** General fund revenue decrease of approximately \$2.5 million in FY 2002. Future years reflect decreasing farm acreage, increased rent, and increased credits claimed. No effect on expenditures.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
GF Revenue	(\$2,541,000)	(\$2,653,900)	(\$2,771,900)	(\$2,895,100)	(\$3,023,800)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$2,541,000)	(\$2,653,900)	(\$2,771,900)	(\$2,895,100)	(\$3,023,800)

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

**Local Effect:** None. The tax credit is taken against the State income tax only.

**Small Business Effect:** Potential meaningful. Individuals who rent land to farmers will be able to take a credit against the State income tax equal to 5% of the gross income received through the share-rental agreement. The amount of the credit would be greater than the amount of tax that would otherwise be paid (the State top marginal rate is 4.8%) on that income.

## Analysis

**Current Law:** No income tax credit of this type exists under the Maryland income tax.

**State Fiscal Effect:** General fund revenues would decrease by approximately \$2,541,000 in fiscal 2002 based on the following facts and assumptions:

- in tax year 2001, there are 12,090 farms in Maryland; this number is expected to decline by 2.5% annually based on average decline over the past six years;
- in tax year 2001, total farm acreage is 2,029,500 acres; total acreage is expected to decrease by 1% annually based on the average decline over the past six years;
- the average size of a Maryland farm is 168 acres;
- 44% of Maryland farms (5,320) are rented for cash according to the 1997 Agricultural Survey;
- the per acre cash rent value is \$56.91; this amount is expected to increase by 5.5% based on the average for the past six years;
- the average annual gross rent is \$9,553; and
- the average credit is \$478 (based on 5% of gross rent).

This estimate is based on current data and practices. The cost of the bill could increase if more people are encouraged to rent land to farmers in order to take advantage of the tax incentive offered by the bill.

The revenue loss will occur in the fiscal year in which the income tax returns are filed.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader – January 26, 2001  
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Analysis by: Michael Sanelli

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510  
(301) 970-5510

