

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 1318 (Delegate D'Amato)
Ways and Means

Income Tax - Subtraction Modification for Payments to Forest Conservation
Fund

This bill provides for a subtraction modification under the Maryland income tax for the amount that an individual is required to pay to the Forest Conservation Fund or to a local forest conservation fund, if the payment is required for an activity conducted for the purpose of constructing a dwelling house intended for the use of the owner or a child or grandchild of the owner. The bill also provides for an addition modification for any refunds from the Forest Conservation Fund or to a local forest conservation fund to the extent a subtraction modification has been claimed for a prior taxable year for payments made to the Forest Conservation Fund.

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

Fiscal Summary

State Effect: Potential minimal general fund revenue decrease to the extent that individuals claim the subtraction. The extent of the decrease cannot be reliably estimated and depends on the number of individuals who are able to claim the subtraction modification and the amount of money that they are required to pay into the Forest Conservation Fund. General fund revenues would decrease by 4.8% of the amount subtracted, or \$4.80 for every \$100 subtraction in FY 2002.

Local Effect: Local government revenues would decrease to the extent that the State subtraction is taken. Local revenues would decrease by approximately 2.74% of the total State subtraction taken in FY 2002.

Small Business Effect: None.

Analysis

Current Law: Persons subject to the requirements of a forest conservation plan are required to contribute 10 cents per square foot of the area of required replanting to the Forest Conservation Fund if it is demonstrated to the appropriate State or local authority that the requirements for reforestation or afforestation on-site or off-site cannot be reasonably accomplished.

State Fiscal Effect: The Forest Conservation Fund was established in 1991 in conjunction with the State Forest Conservation Act. This Act requires compliance by an individual or corporation before a building permit is issued for forested land. Compliance is a two-part process. First, an inventory is necessary to determine the extent of forestation on the land and after that is completed, a forest conservation plan is developed. A dwelling that is intended for the use of the owner, a child or grandchild of the owner is exempt from compliance if the area of land being cleared is less than 40,000 square feet. Many single family residential dwellings are placed on land that is less than 40,000 square feet in area, and as a result, are not subject to the requirements of paying into the Forest Conservation Fund.

If the owner can demonstrate that the reforestation plan cannot be reasonably met, the person is required to pay a fee of 10 cents per square foot into the State Forest Conservation Fund, or a local forest conservation fund, depending on the county. The relevant Forest Conservation Fund is required to repay this money if it is not used for reforestation within two years after the funds were deposited.

As a point of reference, Anne Arundel County has collected \$789,000 since 1994. As of January 30, 2001, \$229,000 had not been used for reforestation projects. Prince George's County has collected \$395,000 since 1993, most of which has been spent on reforestation projects. In fiscal 1999, approximately \$700,000 was collected statewide.

The extent of the revenue decrease cannot be reliably estimated and depends on the number of individuals who are able to claim the subtraction modification and the amount of money that they are required to pay into the appropriate Forest Conservation Fund. However, this amount is assumed to be minimal. General fund revenues would decrease by 4.8 % of the amount subtracted, or \$4.80 of every \$100 subtraction in fiscal 2002.

Local Fiscal Effect: Local government revenues would decrease to the extent that the State subtraction is taken. Local revenues would decrease by approximately 2.74% of the total State subtraction taken in fiscal 2002.

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 – March 19, 2001
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