

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

Senate Bill 447

(Senator Kittleman, *et al.*)

Budget and Taxation

Ways and Means

**Maryland Income Tax - Subtraction Modification - Conservation Tillage
Equipment**

This bill expands the definition of conservation tillage equipment, for the purposes of the subtraction modification allowed for expenses related to the purchase of such equipment, to include deep no-till rippers that do not invert the soil profile and are used to address compaction in high residue cropping systems. These items must be purchased after December 31, 2001 to be eligible for the subtraction.

The bill takes effect July 1, 2002 and applies to all taxable years beginning after December 31, 2001.

Fiscal Summary

State Effect: The amount of the general fund decrease depends on the number of individuals who purchase deep no-till rippers and qualify for the subtraction modification. For illustrative purposes only, if 20 no-till rippers were purchased at \$12,000 per unit in a year, general fund revenues would decrease by approximately \$11,400. No effect on expenditures.

Local Effect: Local government revenues would decrease by approximately 2.8% of the total State subtraction taken (or 55% of the State revenue loss).

Small Business Effect: Minimal.

Analysis

Current Law: The Maryland income tax provides a subtraction modification equal to 100% of the expenses incurred by a taxpayer for the purchase and installation of conservation tillage equipment. Deep no-till rippers are not eligible for the subtraction.

State Fiscal Effect: The actual cost of the bill cannot be reliably estimated and depends on the number of individuals purchasing no-till rippers and the cost of each.

No-till rippers are newly developed equipment that are used by farmers who do not till their fields to break up compacted subsurface soil. This is a process that needs to be done every five to seven years, on average. It is estimated that the cost of a no-till ripper is over \$10,000. Due to the cost of this equipment and the infrequency with which it would be used, it is difficult to estimate how many would be purchased in any year.

For illustrative purposes only, if 20 no-till rippers were purchased in a year at \$12,000 per unit, general fund revenues would decrease by approximately \$11,400.

Approximately 60 farmers each year use the existing subtraction for no-till equipment.

Additional Information

Prior Introductions: None.

Cross File: HB 493 (Delegate Baldwin, *et al.*) – Ways and Means.

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

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