

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 1098
Ways and Means

(Delegate O'Donnell, *et al.*)

Budget and Taxation

Income Tax - Credit for Aquaculture Oyster Float

This bill allows an individual to claim a credit against the State income tax credit in an amount equal to 100% of the cost of the purchase of aquaculture oyster floats purchased in the taxable year. The credit may not exceed the lesser of \$500 or the individual's State income tax liability. Any unused amount of the credit may not be carried forward to another taxable year.

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

Fiscal Summary

State Effect: General fund revenue decrease beginning in FY 2003. The extent of the decrease depends on the cost of aquaculture oyster floats and the number purchased. The magnitude of the associated revenue decrease cannot be reliably estimated.

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

Small Business Effect: Minimal.

Analysis

Bill Summary: An aquaculture oyster float is a device that is: (1) purchased new; (2) specifically designed for the purpose of growing oysters at or under an individual homeowner's pier; and (3) constructed to be fully buoyant and facilitate the growth of oysters for the width of the pier.

Current Law: No income tax credit of this type exists.

State Fiscal Effect: The actual cost of the bill cannot be reliably estimated and depends on the cost of aquaculture oyster floats, and the number purchased in any taxable year.

The Chesapeake Bay Foundation (CBF) operates an “oyster gardening” program. Participants build a float for growing oysters at their dock and receive 2,000 seed oysters. Oysters are then grown for about a year until they are around two inches in length, after which they are collected and planted on a rebuilt reef in local waters. The cost of the program is \$75 and includes materials to build an oyster float and oyster seed. CBF trains about 200 people in oyster gardening each year and approximately 800 individuals have participated in the program since it began in 1996.

Assuming that these oyster floats are eligible for the income tax credit under the bill because they are purchased as a kit, general fund revenues would decrease by approximately \$15,000 annually (200 x \$75).

The exact number of businesses in Maryland that are involved in selling oyster floats is not known. Most floats used by Maryland homeowners are built rather than purchased. However, if the materials are purchased as part of a kit, like under the CBF program, it is likely that these would qualify for the credit under the bill. In Virginia, several establishments such as hardware stores sell oyster floats. As a result, the impact of the bill cannot be reliably estimated. To the extent that the bill creates a market for oyster floats, the cost of bill would increase accordingly.

The Comptroller’s Office advises that it would incur a one-time expenditure of \$42,400 to make changes to the SMART processing systems and to add the credit to the income tax return form 502CR. The Department of Legislative Services advises that since forms and instructions are updated annually, the cost of these changes could be absorbed within existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller’s Office (Bureau of Revenue Estimates), Chesapeake Bay Foundation, Department of Legislative Services

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