

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 317 (Delegate Rudolph)
Ways and Means

Maryland Agricultural Land Preservation Fund - Income Tax Checkoff

This bill establishes a Maryland Agricultural Land Preservation Fund (MALPF) checkoff on the individual income tax forms. After the Comptroller deducts administrative expenses, the contributions are distributed to MALPF.

The bill is effective July 1, 2004 and applies to all tax years beginning after December 31, 2003.

Fiscal Summary

State Effect: Minimal increase in special fund revenues in FY 2005 and beyond. Special fund expenditure increase of \$43,000 in FY 2005, which includes one-time tax form changes and computer programming expenditures.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Chesapeake Bay and Endangered Species Fund (CBESF) and the Fair Campaign Financing Fund (FCFF) are the two current checkoffs on the personal income tax form.

Background: In tax year 2003, approximately \$1.4 million was donated to CBESF and \$173,000 was donated to FCFF. A survey by the Federation of Tax Administrators

identified 220 checkoff programs available to taxpayers in 41 states and the District of Columbia on state income tax returns filed for tax year 2002. Every state with a broad-based income tax has at least one checkoff program and some states have had to create a separate form just for checkoffs. The most common checkoffs are for wildlife protection, political campaigns, and child abuse prevention.

The purpose of the Maryland Agricultural Land Preservation Program, established in 1977 and administered by MALPF, is to preserve wood and agricultural land in order to provide sources of agricultural products within the State; control the urban expansion which is encroaching upon the wood and agricultural land of the State; curb the spread of urban blight and deterioration; and protect agricultural land and woodland as open space land. Through July 2003, the program has preserved 228,854 acres. Funding for the program has typically come from the agricultural transfer tax imposed on all transfers of title in agricultural land taken out of production, a portion of the State transfer tax, Greenprint funds, and federal funds.

The Commonwealth of Virginia has a checkoff program for its Open Space Recreation and Conservation Fund. In tax year 1996, \$114,180 was donated by 10,779 individuals. In tax year 2000, total donations were \$44,278. During this time, the total number of Virginia checkoffs increased from nine to 19 while the total amount donated declined from \$644,745 to \$527,719.

State Revenues: While the amount of donations cannot be accurately estimated, based on the experience of the Virginia Open Space Recreation and Conservation Fund, Legislative Services believes that there will be a minimal increase in special fund revenues in fiscal 2005 and beyond. Donations to this checkoff would likely divert funds from the two existing personal income checkoffs: CBESF and FCFE. To the extent that the new checkoffs do not divert funds from the CBESF and FCFE checkoffs, special fund revenues will increase by a greater amount.

State Expenditures: The Comptroller's Office reports that it would incur a one-time expenditure increase of \$43,000 to add the checkoff to personal income tax forms 502 and 503. This includes data processing changes to the SMART income tax return processing and imaging systems, and systems testing.

Additional Information

Prior Introductions: HB 748 of 2001, an identical bill, received an unfavorable report from the House Ways and Means Committee. This bill was also introduced as HB 703 in the 2000 session. The bill was withdrawn.

Cross File: None.

Information Source(s): Comptroller's Office, Federation of Tax Administrators,
Department of Legislative Services

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ncs/mdr

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