

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

Senate Bill 459 (Cecil County Senators)
 Budget and Taxation

Income Tax Checkoff - Cecil County Agricultural Preservation Fund

This bill establishes a Cecil County Agricultural Preservation Fund income tax checkoff on the individual income tax form. Proceeds from the fund must be used in Cecil County to: (1) preserve agricultural land and woodland as open space land; (2) provide sources of agricultural products; (3) curb the spread of urban blight and deterioration; and (4) help control the urban expansion that is consuming agricultural land and woodland in Cecil County and the State. After the Comptroller deducts administrative expenses, the contributions are credited to the fund and distributed by the Cecil County Commissioners. The Cecil County Commissioners must establish procedures to administer the fund.

The bill takes effect July 1, 2005 and applies to tax year 2005 and beyond.

Fiscal Summary

State Effect: General fund expenditures would increase by \$44,400 in FY 2006 due to one-time tax form changes and computer expenses. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	44,400	0	0	0	0
Net Effect	(\$44,400)	\$0	\$0	\$0	\$0

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

Local Effect: Potential minimal increase in agricultural land preservation funding for Cecil County.

Small Business Effect: None.

Analysis

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

Background: In fiscal 2004, approximately \$1.6 million was donated to CBESF and \$183,000 was donated to FCFF. Chapter 392 of 2004 added the CRF checkoff beginning with tax year 2004.

A survey by the Federation of Tax Administrators (FTA) 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. For example, in tax year 2003 Virginia has 22 checkoffs which added four pages to the personal income tax form. The most common checkoffs are for wildlife protection, political campaigns, and child abuse prevention. According to FTA, Maryland's CBESF checkoff was the largest nonpolitical state checkoff.

State Revenues: While the amount of donations cannot be accurately estimated, Legislative Services believes that there will be a minimal net increase in special fund revenues in fiscal 2006 and beyond. Donations to this checkoff would likely divert funds from the three existing personal income checkoffs. To the extent that the new checkoffs do not divert funds from the existing checkoff, special fund revenues would not be affected.

State Expenditures: The Comptroller's Office reports that it would incur a one-time expenditure increase of \$44,400 in fiscal 2006 to add the checkoff to personal income tax forms. This includes data processing changes to the SMART income tax return processing and imaging systems, and systems testing.

Local Fiscal Effect: The bill could result in an increase in revenues for the Cecil County Agricultural Preservation Fund. However, the actual amount of any revenue contributed cannot be reliably estimated and depends on the number of income tax returns that mark the checkoff and the amount of each contribution. *For illustrative purposes*, there were 38,224 tax returns filed by Cecil County taxpayers in tax year 2002. Of those, 478 (1.25%) gave approximately \$9,000 to the two existing State checkoffs as shown below.

Checkoff

Tax Year 2002 Revenues

CBESF	\$8,234
FCFF	<u>762</u>
Total	\$8,996

Additional Information

Prior Introductions: None.

Cross File: HB 1039 (Cecil County Delegation) – Ways and Means.

Information Source(s): Cecil County, Comptroller’s Office, Department of Legislative Services

Fiscal Note History: First Reader - March 9, 2005
ncs/hlb

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