

**Department of Legislative Services  
Maryland General Assembly  
2008 Session**

**FISCAL AND POLICY NOTE  
Revised**

Senate Bill 32

(Senator Colburn)

Budget and Taxation

Ways and Means

**Income Tax Credit - Oyster Restoration Activity**

This bill creates a tax credit against the State income tax for an individual with a commercial oyster license who participates in an oyster restoration activity project approved by the Department of Natural Resources or the Oyster Recovery Partnership. The amount of the credit is equal to \$750, not to exceed the tax liability in the tax year.

The bill takes effect July 1, 2008 and applies to tax year 2008 and beyond.

**Fiscal Summary**

**State Effect:** General fund revenues could decrease by \$75,000 in FY 2009 due to credits being claimed against the personal income tax. Future years reflect a constant number of individuals claiming the credit. General fund expenditures would increase by \$34,000 in FY 2009, which reflects one-time tax form changes and computer programming expenses at the Comptroller’s Office.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF Revenue	(\$75,000)	(\$75,000)	(\$75,000)	(\$75,000)	(\$75,000)
GF Expenditure	34,000	0	0	0	0
Net Effect	(\$109,000)	(\$75,000)	(\$75,000)	(\$75,000)	(\$75,000)

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

## Analysis

**Current Law:** No similar State income tax credit exists.

**Background:** At its peak, the bay's oyster population acted as a natural filter, removing 133 million pounds of nitrogen annually. Largely due to two diseases, MSX and Dermo, the oyster stock has been severely depleted. Today, the oyster population has dropped to less than 1% of its original population despite the State and federal government spending nearly \$40 million in oyster restoration activities since 1994. A little less than one-quarter of this effort, however, has supported ecological restoration while a little more than three-quarters has been directed toward supporting the oyster industry.

Chapter 113 of 2007 established an Oyster Advisory Commission within DNR to review the science and management issues relevant to oysters in the Chesapeake Bay. DNR is also required to publish maps and coordinates of areas closed to shellfish harvest and provide the publications to each tidal fish licensee who pays the oyster surcharge and authorizes the lease of no more than 30 acres by a nonprofit corporation for oyster restoration in Anne Arundel County waters. Furthermore, one-tenth of the oyster seed or spat produced for restoration planting at the University of Maryland Center for Environmental Science Horn Point Laboratory must be made available for purchase to any leaseholder of land beneath the waters of the Chesapeake Bay.

The commission issued its 2007 interim report on January 4, 2008. The commission's preliminary findings stated: (1) the need for a large oyster sanctuary program; and (2) that more restrictive harvest measures would be effective only if done in conjunction with significant and sustained efforts to rehabilitate natural oyster bars, minimize oyster diseases, and address water quality issues. The commission estimated that between \$41 million to \$87 million will be needed during the first 10 years to implement its recommended restoration activities, which included increased hatchery production and oyster bar rehabilitation.

The State of Maryland, Commonwealth of Virginia, and U.S. Army Corps of Engineers initiated an Environmental Impact Statement (EIS) to evaluate alternative approaches to increasing oysters in the Chesapeake Bay. The commission notes that it might be the most comprehensive evaluation of native oyster restoration strategies ever performed in the Chesapeake Bay region and that the analysis, originally scheduled to be issued May 2007 but delayed until May 2008, will be important for the future direction of Maryland's oyster management and restoration activity. DNR plans to review and modify, if necessary, the 2004 Chesapeake Bay Oyster Management Plan based on EIS findings.

The Maryland Watermen's Association advises that it contracts with the Oyster Recovery Partnership for about 25 days of restoration work in the spring and additional days throughout the year. About 40 boats participate in the spring restoration work. Licensees are paid \$425 per day for one person on a boat while a second person is paid \$125.

**State Revenues:** Credits could be claimed beginning in tax year 2008. As a result, general fund revenues could decrease by \$75,000 in fiscal 2009. Based on the information provided by DNR and the Maryland Watermen's Association, about 100 individuals would claim the tax credit in each year. It is assumed that these individuals would have sufficient tax liability to claim the entire amount of the credit. In addition, this estimate assumes that the intent of the bill is to limit the tax credit to the lesser of \$750 or the State income tax liability in the tax year.

**State Expenditures:** The Comptroller's Office reports that it would incur a one-time expenditure increase of \$34,000 in fiscal 2009 to add the credit to the personal income tax form. This amount includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

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### **Additional Information**

**Prior Introductions:** HB 517 of 2007, a similar bill, was not reported from the House Ways and Means Committee.

**Cross File:** HB 19 (Delegate Haddaway) – Ways and Means.

**Information Source(s):** Department of Natural Resources, Maryland Watermen's Association, Department of Legislative Services

**Fiscal Note History:** First Reader - January 22, 2008  
ncs/hlb Revised - Senate Third Reader - April 3, 2008

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