

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

House Bill 836 (Montgomery County Delegation)
 Ways and Means

**Montgomery County - Income Tax - Organic Agriculture Investment Credit
 MC 933-09**

This bill authorizes Montgomery County to grant, by law, a tax credit against the county income tax for an investment in an organic agriculture company. A law that authorizes the credit must (1) define an organic agriculture company; (2) specify the qualifications for eligibility, conditions of certification, and process for application for the tax credit; and (3) specify the amount of the credit. Montgomery County may: (1) limit the investment for which a credit is allowed to only organic agriculture companies located in the county; (2) limit the total amount of credits that can be awarded in any year; (3) allow the credit to be refundable; (4) provide for recapture of the credit; and (5) impose any additional limitations necessary to administer the credit.

The bill takes effect July 1, 2009 and applies to tax year 2010 and beyond.

Fiscal Summary

State Effect: General fund expenditures increase by \$37,400 in FY 2010 which reflects one-time tax form changes and computer reprogramming expenditures at the Comptroller’s Office. Revenues are not affected.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	37,400	0	0	0	0
Net Effect	(\$37,400)	\$0	\$0	\$0	\$0

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

Local Effect: Montgomery County income tax revenues may decrease beginning in FY 2011 depending on the amount of the tax credit granted and the number of eligible recipients.

Small Business Effect: Minimal.

Analysis

Current Law: None applicable.

Background: Montgomery County imposes a 3.2% local income tax, the maximum rate authorized under current law. The local income tax is the second largest revenue source for the county government, accounting for 23% of county revenues. Montgomery County will collect approximately \$1.3 billion in local income tax revenues in fiscal 2009. **Exhibit 1** provides the anticipated revenue collections from the major local taxes in Montgomery County.

Exhibit 1 Montgomery County Revenues – Local Taxes Fiscal 2009

	<u>Total Revenues</u>	<u>Per Capita Amount</u>
Property Taxes	\$1,364,540,000	\$1,466
Income Taxes	1,273,790,000	1,368
Recordation Taxes	72,286,000	78
Transfer Taxes	64,070,000	69
Hotel/Motel Taxes	19,870,000	21

Agricultural Activity in Montgomery County

According to the 2007 Census of Agriculture, 561 farms are in operation in Montgomery County and nearly 68,000 acres of land is actively used for farming purposes. The average farm in the county has an estimated market value of \$1.2 million for its land and buildings and \$92,000 for its machinery and equipment.

In 2007, these farms generated \$33.2 million in sales, of which 76% were for crops and 24% for livestock. Montgomery County is ranked fifteenth in the State in the market value of agricultural products sold. The average farm generated \$59,000 in sales. Nearly one-half of the county's farms had less than \$2,500 in sales; whereas, 64 farms had over \$100,000 in sales. Ten farms located in Montgomery County are engaged in organic production. In 2007, the value of sales from organic products totaled \$97,000.

State Fiscal Effect: The Comptroller's Office reports that it will incur a one-time expenditure increase of \$37,400 in fiscal 2010 to include the local tax credit on the income tax forms. This amount includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Local Fiscal Effect: Montgomery County income tax revenues may decrease beginning in fiscal 2011 depending on the amount of the tax credit granted and the number of eligible recipients. Based on 2007 data from the U.S. Department of Agriculture, only 10 farms located in Montgomery County were engaged in organic production with the total sales from organic products totaling only \$97,000. The Maryland Department of Agriculture indicates that four certified organic producers are located in the county. It is assumed that any revenue loss resulting from the tax credit will be relatively minor in relation to the overall revenue collections from the county income tax.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Agriculture, Comptroller's Office, Montgomery County, Department of Legislative Services

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mcp/hlb

Analysis by: Robert J. Rehrmann

Direct Inquiries to:
(410) 946-5510
(301) 970-5510