

Department of Legislative Services
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 976

(Senator Middleton, *et al.*)

Budget and Taxation

Ways and Means

**Income Tax - Subtraction Modification - Enhanced Agricultural Management
Equipment**

This bill expands the existing conservation tillage equipment income tax subtraction modification to include qualified purchases of specified (1) vertical tillage equipment; (2) global positioning system devices used for management of agricultural nutrient applications; and (3) integrated optical sensing and nutrient application systems. The subtraction modification for qualified purchases of vertical tillage equipment is equal to 50% of eligible costs incurred.

The bill takes effect July 1, 2012, and applies to tax years 2012 and beyond and to certain qualified equipment purchases made after December 31, 2011.

Fiscal Summary

State Effect: General fund revenues decrease by about \$50,000 annually beginning in FY 2013 due to additional subtraction modifications being claimed. Minimal decrease in Transportation Trust Fund (TTF) and Higher Education Investment Fund (HEIF) revenues. Future year revenue estimates reflect a stable number of eligible purchases. Expenditures are not affected.

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
GF Revenue	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)
Expenditure	0	0	0	0	0
Net Effect	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)

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

Local Effect: Local government revenues decrease by about \$30,000 annually beginning in FY 2013. Expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: The Maryland income tax provides a subtraction modification equal to 100% of the expenses incurred by a taxpayer for the purchase and installation of qualified conservation tillage equipment. Taxpayers must meet certain requirements and receive certification from the Maryland Department of Agriculture (MDA) in order to claim the subtraction modification.

Background: MDA advises that within the last three years it has certified eligibility for the conservation tillage equipment subtraction modification for an average of 76 applicants, with a total value of \$3.7 million in each year.

State Revenues: Additional subtraction modifications can be claimed beginning in tax year 2012. MDA estimates that it may process about 50 new certifications for vertical tillage equipment with an average estimated cost of \$24,000, and about 20 applications for other qualifying equipment with an average cost of about \$10,000. Based on these estimates, general fund revenues will decrease by about \$50,000 annually beginning in fiscal 2013.

Subtraction modifications claimed against the corporate income tax will decrease TTF and HEIF revenues minimally beginning in fiscal 2013.

Local Revenues: Local income tax revenues decrease by about 3% of the total net State subtraction modification claimed against the personal income tax. Local revenues will decrease by about \$30,000 annually.

Subtraction modifications claimed against the corporate income tax will decrease local highway user revenues.

Additional Information

Prior Introductions: None.

Cross File: HB 1309 (Delegate Conway, *et al.*) - Ways and Means.

Information Source(s): Maryland Department of Agriculture, Department of Legislative Services

Fiscal Note History: First Reader - March 15, 2012
ncs/jrb

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