

Department of Legislative Services  
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 404

(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) manure spreading equipment; (2) vertical tillage equipment; (3) global positioning system devices used for management of agricultural nutrient applications; and (4) 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, 2013, and applies to tax year 2013 and beyond and to certain qualified equipment purchases made after December 31, 2012.

**Fiscal Summary**

**State Effect:** General fund revenues decrease by about \$40,000 annually beginning in FY 2014 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 2014	FY 2015	FY 2016	FY 2017	FY 2018
GF Revenue	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)
Expenditure	0	0	0	0	0
Net Effect	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)

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

**Local Effect:** Local revenues decrease by about \$26,000 annually beginning in FY 2014. Expenditures are not affected.

**Small Business Effect:** Minimal. Small businesses that purchase the qualifying equipment will benefit from the subtraction modification.

## Analysis

**Current Law:** Maryland income tax law 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 five years it has certified eligibility for the conservation tillage equipment subtraction modification for an average of 85 applicants annually, with an average value of \$3.7 million in each year.

**State Revenues:** Additional subtraction modifications can be claimed beginning in tax year 2013. 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 \$40,000 annually beginning in fiscal 2014.

Subtraction modifications claimed against the corporate income tax will decrease TTF and HEIF revenues minimally beginning in fiscal 2014.

**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 \$26,000 annually beginning in fiscal 2014. Subtraction modifications claimed against the corporate income tax will decrease local highway user revenues minimally beginning in fiscal 2014.

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## Additional Information

**Prior Introductions:** SB 976 of 2012 passed the Senate and passed second reading in the House, but no further action was taken. Its cross file, HB 1309, passed second reading in the House, but no further action was taken.

**Cross File:** HB 408 (Delegate Conway, *et al.*) - Ways and Means.

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

**Fiscal Note History:** First Reader - February 11, 2013  
mlm/jrb

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