

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 43 (Senator Simonaire)
 Budget and Taxation

Clean Waterways Tax Credit Act

This bill creates a nonrefundable tax credit against the State individual income tax for 100% of the purchase price of equipment purchased during the taxable year that is used to install or maintain floating gardens.

The bill takes effect July 1, 2016, and applies to tax year 2016 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease beginning in FY 2017 due to the tax credit. Assuming 300 individuals qualify for the credit each year and have a tax liability of over \$500, State revenues decrease by \$150,000 annually. General fund expenditures increase by an estimated \$109,100 in FY 2017 due to implementation costs at the Comptroller’s Office.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
GF Revenue	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)
GF Expenditure	\$109,100	\$53,400	\$55,600	\$58,000	\$60,400
Net Effect	(\$259,100)	(\$203,400)	(\$205,600)	(\$208,000)	(\$210,400)

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

Local Effect: None.

Small Business Effect: Minimal. Small businesses that sell floating garden equipment may benefit from an increase in sales.

Analysis

Bill Summary: A floating garden is a device that is a man-made aquatic feature that is deployed into a body of water, provides adequate buoyancy for the establishment of plant communities, is planted only with native aquatic plants, relies on available nutrients in a body of water rather than a prepared mineral nutrient solution, and provides environmental benefits. The credit may not exceed the lesser of \$500 or the individual's State income tax liability. Any unused amount of the credit may not be carried forward to another taxable year. The Comptroller, in consultation with the Maryland Department of the Environment, must report to the Governor and the General Assembly on the credit, including the number of individuals who have claimed the credit, the amount allowed as credits, and the anticipated reduction of nutrients based on the number of floating gardens installed and maintained as a result of the credit.

Current Law: State law provides an income tax credit for the purchase price of an aquaculture oyster float that is (1) purchased new; (2) specifically designed for the purpose of growing oysters at or under an individual homeowner's pier; and (3) constructed to be fully buoyant and facilitate the growth of oysters for the width of the pier.

State Revenues: General fund revenues decrease beginning in fiscal 2017. However, the amount of the revenue loss depends on the amount of qualifying floating garden equipment purchased and the costs of the equipment. Given that 100% of the expenses incurred by an individual to purchase equipment is offset by a tax credit of the lesser of \$500 or the individual's income tax liability, it is assumed that individuals interested in a floating garden would purchase \$500 of floating garden equipment. Only a small percentage of households have access to bodies of water in which to establish a floating garden, so the Comptroller's Office estimates about 300 individuals are likely to claim the credit each year. Assuming 300 individuals purchase \$500 of floating garden equipment and claim the credit, general fund revenues decrease by \$150,000 annually.

State Expenditures: The Comptroller's Office advises that it will incur additional costs beginning in fiscal 2017 as a result of hiring one revenue specialist and incurring programming expenses. As a result, general fund expenditures increase by \$109,099 in fiscal 2017, which accounts for the bill's July 1, 2016 effective date. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1
Salary and Fringe Benefits	\$52,134
Operating Expenses	4,965
Programming Expenditures	<u>52,000</u>
Total FY 2017 Expenditures	\$109,099

Future-year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: A similar bill, SB 85 of 2015, received a hearing from the Senate Budget and Taxation Committee, but no further action was taken. Another similar bill, SB 568 of 2014, received an unfavorable report from the Senate Budget and Taxation Committee. The cross file of SB 568, HB 1441, was referred to the House Rules and Executive Nominations Committee, but no further action was taken.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland Department of the Environment, Department of Legislative Services

Fiscal Note History: First Reader - January 23, 2016
md/jrb

Analysis by: Heather N. Ruby

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