HB 474

Department of Legislative Services

Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 474 (Delegate Guyton)
Ways and Means

Income Tax Credit - Wineries and Vineyards - Sunset Extension

This bill extends the termination date of the wineries and vineyards income tax credit to June 30, 2026. **The bill takes effect June 1, 2021.**

Fiscal Summary

State Effect: General fund revenues decrease by $500,000 annually in FY 2023 through 2027 due to credits claimed against the income tax. Expenditures are not affected.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	$0	($500,000)	($500,000)	($500,000)	($500,000)
Expenditure	0	0	0	0	0
Net Effect	$0	($500,000)	($500,000)	($500,000)	($500,000)

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

Local Effect: Local highway user revenues decrease to the extent credits are claimed against the corporate income tax. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: Chapter 659 of 2013 created a nonrefundable tax credit against the State income tax for 25% of qualified capital expenses made to either establish a new winery or vineyard or make capital improvements to an existing winery or a vineyard in the State. Any unused amount of the credit can be carried forward for 15 tax years.

A person seeking the tax credit must apply to the Department of Commerce (Commerce) for certification of the eligible expenses incurred. If the total amount of credits applied for in the application period exceeds the total amount available, Commerce must reduce the amount of the credit by the proportionate amount of the excess.

Commerce is required to administer the credit and may award a maximum of $500,000 in credits annually.

Chapters 613 and 614 of 2018 extended the termination date of the program to June 30, 2021.

State Revenues: The bill extends the termination date of the wineries and vineyards income tax credit to June 30, 2026. Taxpayers claiming the credit must receive certification which occurs by December 15 of the calendar year following the end of the taxable year in which the expenses were paid or incurred. As a result, general fund revenues decrease by $500,000 annually in fiscal 2023 through 2027. This estimate assumes that Commerce awards the maximum authorized amount of credits in each tax year and tax credits are claimed against the personal income tax. To the extent tax credits are claimed against the corporate income tax, a portion of tax credits claimed will decrease Transportation Trust Fund and Higher Education Investment Fund revenues.

Additional Information

Prior Introductions: None.

Cross File: SB 534 (Senator Guzzone) - Budget and Taxation.

Information Source(s): Department of Commerce; Comptroller's Office; Department of Legislative Services

Fiscal Note History: First Reader - January 26, 2021
rh/jrb

Analysis by: Robert J. Rehrmann

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