

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1217 (Delegates Mautz and Adams)
 Environment and Transportation

Natural Resources - Oyster Inspection and Severance Taxes - Increase

This bill increases the severance tax – from \$1 per bushel to \$2 per bushel – that is levied on every bushel of oysters caught within the limits of the natural oyster bars of the State exclusive of the Potomac River. The bill also increases the inspection tax – from 30 cents per bushel to \$1 per bushel – that is levied on marketable oysters shipped in the shell to any place outside the State. The bill also requires that \$1 of every \$2 of the severance tax collected be distributed to the county oyster committees in specified counties (Anne Arundel, Calvert, Charles, Dorchester, Kent, Queen Anne’s, Somerset, St. Mary’s, Talbot, and Wicomico) for the repletion of natural oyster bars located in the waters of the county. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: Special fund revenues and expenditures increase by approximately \$375,600 annually beginning in FY 2023.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	\$375,600	\$375,600	\$375,600	\$375,600	\$375,600
SF Expenditure	\$375,600	\$375,600	\$375,600	\$375,600	\$375,600
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: A severance tax of \$1 per bushel must be levied on every bushel of oysters caught within the limits of the natural oyster bars of the State exclusive of the Potomac River. The oyster buyer or receiver must pay the tax to the Department of Natural Resources. However, if oysters in the shell are sold directly to a consumer in the State and the consumer is not a licensed buyer of oysters, the seller assumes the obligation to pay the tax. An inspection tax of 30 cents per bushel is levied on marketable oysters shipped in the shell to any place outside the State and must be paid by the shipper. The tax is levied in addition to the severance tax.

The severance and inspection taxes collected must be credited to the Fisheries Research and Development Fund and used only for the repletion of the natural oyster bars of the State.

State Fiscal Effect: Special fund revenues and expenditures increase by approximately \$375,600 annually beginning in fiscal 2023. This estimate reflects the collection of additional oyster severance and inspection tax revenue and use of the funds for the repletion of the natural oyster bars. The estimate is based on the average amount of revenue generated from the severance and inspection taxes in the last three years of collections (\$145,000 in severance tax and \$25,000 in inspection tax in 2018-2019, \$275,000 in severance tax and \$62,000 in inspection tax in 2019-2020, and \$345,000 in severance tax and \$68,000 in inspection tax in 2020-2021) and accounting for an increase in revenue proportionate to the increase in the tax rates under the bill.

Small Business Effect: Small businesses in the oyster industry may meaningfully benefit from the additional funding for replenishment efforts.

Additional Information

Prior Introductions: HB 1353 of 2020, a similar bill, received a hearing in the House Environment and Transportation Committee, but no further action was taken. HB 1358 of 2019, also a similar bill, was referred to the House Rules and Executive Nominations Committee, but no further action was taken.

Designated Cross File: None.

Information Source(s): Charles, Kent, and St. Mary's counties; Department of Natural Resources; Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2022
js/lgc

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