

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1084

(Delegate Adams, *et al.*)

Environment and Transportation

Education, Energy, and the Environment

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 used by the county oyster committees in specified counties (Anne Arundel, Baltimore, 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 also clarifies a provision and repeals an obsolete provision (identified below under Current Law). **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: Special fund revenues and expenditures increase by approximately \$580,900 annually beginning in FY 2024.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	\$580,900	\$580,900	\$580,900	\$580,900	\$580,900
SF Expenditure	\$580,900	\$580,900	\$580,900	\$580,900	\$580,900
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. County oyster committees are not local government entities.

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 (DNR). 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. Statute establishes that these provisions do not prevent any person licensed to catch oysters in the State from selling oysters in the shell directly to a consumer in the State. (The bill clarifies this provision to refer to “any person licensed to catch *and sell* oysters.”)

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.

A tax increase effective July 1, 1982, must be used solely for an oyster seed program, with a minimum of 5% of the increase being used in each of a number of specified counties. (This provision, which DNR indicates is obsolete, is repealed by the bill.)

State Fiscal Effect: Special fund revenues and expenditures increase by approximately \$580,900 annually beginning in fiscal 2024. This estimate reflects the collection of additional oyster severance and inspection tax revenue as a result of the increased tax rates under the bill and use of the funds for the repletion of the natural oyster bars. The estimate is based on the average amount of oysters harvested per year (389,863 bushels) over the last three oyster harvest seasons (2019-2020, 2020-2021, and 2021-2022) and an assumption, based on information provided by DNR, that on average 70% of oysters harvested are shipped out-of-state and subject to the inspection tax.

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

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1217 of 2022 and HB 1353 of 2020.

Designated Cross File: SB 634 (Senator Mautz) - Education, Energy, and the Environment.

Information Source(s): Charles, Kent, Queen Anne's, and Wicomico counties; Department of Natural Resources; Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2023
km/lgc
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