

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 278
Ways and Means

(Delegates Bouchat and Fair)

**Income Tax - Subtraction Modification - Enhanced Agricultural Management
Equipment**

This bill expands the existing Maryland income tax subtraction modification for purchase and installation costs of enhanced agricultural management equipment to include purchase and installation costs of equipment (other than eligible equipment specified under existing law) that the Secretary of Agriculture determines by regulation to qualify as enhanced agricultural management equipment. **The bill takes effect July 1, 2025, and applies to tax year 2025 and beyond.**

Fiscal Summary

State Effect: General fund revenues may decrease beginning as early as FY 2026 due to additional subtraction modifications claimed against the income tax. To the extent additional subtraction modifications are claimed against the corporate income tax, Higher Education Investment Fund (HEIF) revenues and Transportation Trust Fund (TTF) revenues and expenditures also decrease. Expenditures are not otherwise affected.

Local Effect: Local income tax revenues may decrease beginning as early as FY 2026. Local highway user revenues also decrease to the extent subtraction modifications are claimed against the corporate income tax. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: Under Maryland income tax, an individual or corporation may subtract from income 100% of the expenses that a taxpayer incurs to buy and install enhanced

agricultural management equipment (50% in the case of certain vertical tillage equipment) if the equipment has a useful life of at least four years, subject to additional specified requirements.

“Enhanced agricultural management equipment” means:

- a planter or drill that is commonly known as a “no-till” planter or drill and is designed to minimize the disturbance of the soil in planting crops;
- liquid manure soil injection equipment that is designed to inject manure into the soil to reduce nutrient runoff;
- a deep no-till ripper that does not invert the soil profile and is used to address compaction in high residue cropping systems;
- subject to certain requirements, poultry or livestock manure spreading equipment used by a farm owner or tenant on farmland in accordance with a specified nutrient management plan;
- vertical tillage equipment used to incorporate livestock manure or poultry litter into the soil;
- a global positioning system device used for management of agricultural nutrient applications; and
- a specified integrated optical sensing and nutrient application system.

To qualify for the subtraction, a taxpayer must file a statement with the Department of Agriculture (MDA) certifying compliance with the applicable requirements.

A taxpayer may carry forward any unused amount of the subtraction modification for up to five years.

State Fiscal Effect: To the extent the Secretary of Agriculture establishes by regulation additional types of equipment that qualify as enhanced agricultural management equipment, State general fund and local income tax revenues decrease by an indeterminate amount – potentially as early as fiscal 2026 – due to additional subtraction modifications claimed against Maryland income tax. Any such impact cannot be reliably predicted and depends on the regulatory decisions of MDA. To the extent subtraction modifications are claimed against the corporate income tax, HEIF and TTF revenues also decrease, as do TTF expenditures for capital transportation grants to local governments (local highway user revenues).

Local Revenues: Local income tax revenues may decrease beginning as early as fiscal 2026 due to additional subtraction modifications claimed against the personal income tax. Any such effect cannot be reliably predicted, as discussed above. To the extent

subtraction modifications are claimed against the corporate income tax, local highway user revenues also decrease.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

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

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js/hlb

Analysis by: Elizabeth J. Allison

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