

# DEPARTMENT OF TAXATION

## 2020 Fiscal Impact Statement

1. **Patron** Jason S. Miyares

3. **Committee** House Finance

4. **Title** Individual Income Tax; Credit for Purchase of  
Aquaculture Oyster Floats

2. **Bill Number** HB 126

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would establish an individual income tax credit for the purchase price of aquaculture oyster floats. The maximum amount of the credit would be limited to \$500 per taxable year. This credit would be subject to an overall annual credit cap of \$50,000.

This bill would be effective for taxable years beginning on or after January 1, 2020, but before January 1, 2025.

**6. Budget amendment necessary:** Yes.

Item(s): Page 1, Revenue Estimates

**7. Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

**8. Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

This bill would have an unknown negative General Fund revenue impact beginning in Fiscal Year 2021. The extent to which taxpayers would purchase aquaculture oyster floats and claim this credit is unknown. However, the negative revenue impact would be limited by the \$50,000 annual credit cap.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

**10. Technical amendment necessary:** No.

## 11. Other comments:

### Maryland's Aquaculture Oyster Float Tax Credit

In 2002, Maryland enacted a credit for the cost of new aquaculture oyster floats that are designed to grow oysters at or under an individual homeowner's pier. The devices are required to be buoyant and assist in the growth of oysters for the width of the pier. The amount of the credit is limited to the lesser of the individual's state tax liability or the maximum allowable credit of \$500.

### Sunset Dates for Income Tax Credits and Sales Tax Exemptions

Section 3-5.14 of the Appropriation Act provides that the General Assembly may not advance the sunset date for any existing income tax credit or sales tax exemption beyond June 30, 2022. Any new income tax credit or sales tax exemption enacted by the General Assembly prior to the 2021 Session must have a sunset date not later than June 30, 2022. This requirement does not apply to sales tax exemptions related to nonprofit entities or to income tax credits or sales tax exemptions with sunset dates after June 30, 2022 that were enacted or advanced during the 2016 Session.

### Proposed Legislation

This bill would establish an individual income tax credit for the purchase price of aquaculture oyster floats. The maximum amount of the credit would be limited to \$500 per taxable year.

This credit would be subject to an annual credit cap of \$50,000. If the number of credit applications exceeds \$50,000 for any taxable year, the Department would be required to allocate credits on a pro rata basis.

"Aquaculture oyster float" would be defined as a device that is:

- Purchased new by the taxpayer;
- Specifically designed for the purpose of growing oysters at or under a pier; and
- Constructed to be fully buoyant and facilitate the growth of oysters for the width of the pier.

The amount of the credit that may be claimed in any single taxable year would be limited to the taxpayer's individual income tax liability for the taxable year. If the amount of credits exceeds the taxpayer's individual income tax liability for the taxable year in which the aquaculture oyster floats were purchased, the taxpayer would be allowed to carry over the excess amount for credit against their income taxes for the next five taxable years or until the total amount of the tax credit has been taken, whichever occurs first.

Credits granted to a partnership, limited liability company, or electing small business corporation would be required to be allocated to the individual partners, members, or shareholders in proportion to their ownership or interest in such business entities.

This bill would require the Tax Commissioner to develop guidelines, exempt from the Administrative Process Act, for claiming the credit.

This bill would be effective for taxable years beginning on or after January 1, 2020, but before January 1, 2025.

cc : Secretary of Finance

Date: 1/18/2020 JLOF  
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