HB 302

Department of Legislative Services

Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 302 (Delegate Hixson, *et al.*)
Ways and Means

Income Tax Credit - Wineries and Vineyards - Sunset Extension

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This bill extends the termination date of the wineries and vineyards income tax credit to June 30, 2023. **The bill takes effect June 1, 2018.**

Fiscal Summary

State Effect: General fund, Transportation Trust Fund (TTF), and Higher Education Investment Fund (HEIF) revenues decrease by a total of $500,000 annually in FY 2020 through 2024. The Comptroller's Office and the Department of Commerce (Commerce) can implement the bill with existing resources.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF/SF Rev.	$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 minimally in FY 2020 through 2024 as a result of credits claimed against the corporate income tax. 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.

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

An organization or individual seeking the tax credit must apply to Commerce for certification of the eligible expenses it incurs; 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. Any unused amount of the credit can be carried forward for 15 tax years. The tax credit terminates on June 30, 2018.

State Revenues: In tax year 2013, 31 businesses had $2.74 million in qualified expenditures and were awarded $500,000 in credits. In tax year 2014, 37 businesses had $2.37 million in qualified expenditures and were awarded $500,000 in credits. In tax year 2015, 38 businesses had $3.11 million in qualified expenditures and were awarded $500,000 in credits. Thus, it is assumed that Commerce awards a maximum of $500,000 in credits annually. Taxpayers claiming the credit must receive certification and file an amended tax return so revenue losses occur in the fiscal year following the year in which the credit was earned. As a result, general fund, HEIF, and TTF revenues decrease by a total of $500,000 annually in fiscal 2020 through 2024. To the extent that the tax credit exceeds a taxpayer's tax liability or that taxpayers are not claiming the awarded credits, revenue losses will be less than estimated.

Local Revenues: Local highway user revenues may decrease minimally in fiscal 2020 through 2024 as a result of any credits claimed against the corporate income tax.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 5, 2018
nb/hlb

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