

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 Third Reader

Senate Bill 539

(Senator Guzzone)

Budget and Taxation

Ways and Means

Income Tax Credit – Food Donation Pilot Program – Extension

This bill extends the food donation income tax credit for qualified farms for two additional tax years through tax year 2023. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: General fund revenues decrease by up to \$100,000 annually in FY 2023 and FY 2024 due to credits claimed against the income tax. Expenditures are not affected.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	\$0	(\$100,000)	(\$100,000)	\$0	\$0
Expenditure	0	0	0	0	0
Net Effect	\$0	(\$100,000)	(\$100,000)	\$0	\$0

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

Local Effect: Local highway user revenues decrease in FY 2023 and FY 2024 to the extent credits are claimed against the corporate income tax. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: Chapters 232 and 233 of 2017 created a tax credit against the State income tax for eligible food donations made by a qualified farm located in Anne Arundel, Calvert, Charles, Montgomery, Prince George’s, or St. Mary’s counties.

Chapter 361 of 2019 extended the tax credit through tax year 2021 and expanded the program so that all qualified farm businesses located in the State qualify for the credit. Chapter 361 also (1) decreased to \$100,000 the maximum amount of tax credit certificates that the Maryland Department of Agriculture (MDA) may issue in each fiscal year and (2) established the General Assembly's intent that MDA continue to fund the marketing of the tax credit program and facilitate the donation of eligible food donations by qualified farms through the reimbursement of transportation costs or direct assistance with the transportation of eligible food donations.

The value of the credit is equal to 50% of the value of the eligible food donation (75% for certified organic produce), not to exceed \$5,000 in the taxable year. The Secretary of Agriculture can increase this limit by up to an additional \$5,000 in the taxable year. Any unused amount of the credit may be carried forward for five taxable years.

To qualify, eligible donations must be made to an organization that is authorized by MDA to act as a tax credit certificate administrator. These administrators are required to issue tax credit certificates to eligible farms upon receipt of an eligible food donation and provide within 30 days a copy of the certificate to the Comptroller and MDA.

State Revenues: The bill extends the tax credit program in tax year 2022 and 2023. As a result, general fund revenues will decrease by \$100,000 annually in fiscal 2023 and 2024. This estimate assumes that MDA awards the maximum authorized amount of credits in each tax year and tax credits are claimed against the personal income tax. To the extent tax credits are claimed against the corporate income tax, a portion of tax credits claimed will decrease Transportation Trust Fund and Higher Education Investment Fund revenues.

Local Revenues: To the extent that income tax credits are claimed against the corporate income tax, local highway user revenues decrease minimally in fiscal 2023 and 2024.

Additional Information

Prior Introductions: None.

Cross File: HB 752 (Delegate Ebersole) - Ways and Means.

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

Fiscal Note History: First Reader - February 1, 2021
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