

**Department of Legislative Services**  
 Maryland General Assembly  
 2004 Session

**FISCAL AND POLICY NOTE**

House Bill 470 (Delegate Jennings, *et al.*)  
 Ways and Means

**Income Tax Checkoffs - Maryland Agricultural Land Preservation Fund and Rural Legacy Program**

This bill establishes two State checkoffs on the individual tax return form for the Maryland Agricultural Land Preservation Fund (MALPF) and the Rural Legacy Program. After the Comptroller deducts administrative expenses, the contributions are distributed to MALPF and a newly-created special fund dedicated to the Rural Legacy Program.

The bill is effective July 1, 2004 and applies to all tax years beginning after December 31, 2003.

**Fiscal Summary**

**State Effect:** Minimal increase in special fund revenues in FY 2005 and beyond. Special fund expenditure increase in FY 2005 due to one-time computer programming costs of approximately \$86,000 and additional postage and printing expenses of approximately \$111,500 at the Comptroller’s Office. Future years reflect annualization and inflation.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
SF Revenue	-	-	-	-	-
SF Expenditure	197,500	111,900	113,000	114,200	115,300
Net Effect	(\$197,500)	(\$111,900)	(\$113,000)	(\$114,200)	(\$115,300)

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

**Local Effect:** None.

**Small Business Effect:** None.

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## **Analysis**

**Current Law:** The Chesapeake Bay and Endangered Species Fund (CBESF) and the Fair Campaign Financing Fund (FCFF) are the two current checkoffs on the personal income tax form.

**Background:** In tax year 2003, approximately \$1.4 million was donated to CBESF, and \$173,000 was donated to FCFF. A survey by the Federation of Tax Administrators identified 220 checkoff programs available to taxpayers in 41 states and the District of Columbia on state income tax returns filed for tax year 2002. Every state with a broad-based income tax has at least one checkoff program and some states have had to create a separate form just for checkoffs. The most common checkoffs are for wildlife protection, political campaigns, and child abuse prevention.

The purpose of the Maryland Agricultural Land Preservation Program, established in 1977 and administered by MALPF, is to preserve wood and agricultural land in order to provide sources of agricultural products within the State; control the urban expansion which is encroaching upon the wood and agricultural land of the State; curb the spread of urban blight and deterioration; and protect agricultural land and woodland as open space land. Through July 2003, the program has preserved 228,854 acres. Funding for the program has typically come from the agricultural transfer tax imposed on all transfers of title in agricultural land taken out of production, a portion of the State transfer tax, Greenprint funds, and federal funds.

The purpose of the Rural Legacy Program, established in 1997 and administered by the Department of Natural Resources, is to supplement State land preservation programs in order to preserve key areas before escalating land values render protection impossible or before the land is lost to development. The program provides funding to local governments and conservation organizations to purchase property and conservation easements within designated rural legacy areas. Through June 2003, the program had preserved 40,129 acres. The program is typically funded through the sale of general obligation bonds and a portion of the transfer tax.

The Commonwealth of Virginia has a checkoff program for its Open Space Recreation and Conservation Fund. In tax year 1996, \$114,180 was donated by 10,779 individuals. In tax year 2000, total donations were \$44,278. During this time, the total number of Virginia checkoffs increased from nine to 19 while the total amount donated declined from \$644,745 to \$527,719.

**State Revenues:** While the amount of donations cannot be accurately estimated, based on the experience of the Virginia Open Space Recreation and Conservation Fund, Legislative Services believes that there will be a minimal increase in special fund revenues in fiscal 2005 and beyond. Donations to this checkoff would likely divert funds from the two existing personal income checkoffs: CBESF and FCFF. To the extent that the new checkoffs do not divert funds from the CBESF and FCFF checkoffs, special fund revenues will increase by a greater amount.

**State Expenditures:** The Comptroller's Office reports that it would incur a one-time expenditure increase of \$86,000 to add the two checkoffs to personal income tax forms 502 and 503. This includes data processing changes to the SMART income tax return processing and imaging systems, and systems testing.

There is not enough room to add two checkoffs to personal income tax forms 502 and 503. The Comptroller's Office reports that two new checkoffs would add a page to each form, causing additional annual postage and printing costs of \$111,490 in fiscal 2005 and increasing by approximately 1% thereafter.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller's Office, Federation of Tax Administrators, Department of Legislative Services

**Fiscal Note History:** First Reader - February 13, 2004  
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