

Soil Conservation Districts

Allegany	(301) 777-1747, ext. 4
Anne Arundel	(410) 571-6757
Baltimore County	(410) 666-1188, ext. 3
Calvert	(410) 535-1521, ext. 3
Caroline	(410) 479-1202, ext. 3
Carroll	(410) 848-8200, ext. 3
Catoctin	(301) 695-2803, ext. 3
Cecil	(410) 398-4411, ext. 3
Charles	(301) 934-9588, ext. 3
Dorchester	(410) 228-5640, ext. 3
Frederick	(301) 695-2803, ext. 3
Garrett	(301) 334-6951
Harford	(410) 838-6181, ext. 3
Howard	(410) 489-7987
Kent	(410) 778-5150, ext. 3
Montgomery	(301) 590-2855
Prince George's	(301) 574-5162, ext. 3
Queen Anne's	(410) 758-3136, ext. 3
St. Mary's	(301) 475-8402, ext. 3
Somerset	(410) 651-1575, ext. 3
Talbot	(410) 822-1577, ext. 3
Washington	(301) 797-6821, ext. 3
Wicomico	(410) 546-4777, ext. 3
Worcester	(410) 632-5439, ext. 3

Financial assistance provided by the Coastal Zone Management Act of 1972, as amended, administered by the Office of Ocean and Coastal Resource Management, National Oceanic and Atmospheric Administration (NOAA).



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Anthony G. Brown, *Lt. Governor*
Roger L. Richardson, *Secretary of Agriculture*
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Maryland
Department of Agriculture
Office of Resource Conservation

**Deep
No-Till Rippers
Now Eligible**

The Maryland Income Tax Subtraction Modification for Conservation Equipment

Guidelines

The Maryland Income Tax Subtraction Modification for Conservation Equipment is available to help farmers offset costs associated with buying certain types of conservation equipment to control soil erosion, manage nutrients and protect water quality in streams, rivers and the Chesapeake Bay. A taxpayer is allowed a subtraction on his/her individual or corporate Maryland Tax Return equal to 100 percent of the cost of buying and installing conservation tillage equipment, liquid manure injection equipment, and poultry or livestock manure spreading equipment.

Eligible Equipment and Requirements

Conservation Tillage Equipment includes new or used *no-till planters or drills* designed to minimize soil movement during agricultural production. The equipment may be attached to other equipment but must have been purchased after December 31, 1985, have a minimum useful life of four years following the purchase date, and be owned for at least three years after the tax subtraction is taken.

Deep no-till rippers used to address soil compaction in high residue cropping systems became eligible for the tax subtraction in 2002. To qualify, the equipment must not invert the soil profile. It must also have been purchased after December 31, 2001, have a minimum useful life of four years following the purchase date, and be owned for at least three years after the tax subtraction is taken.

Liquid Manure Injection Equipment includes new or used equipment designed to reduce nutrient runoff from an agricultural operation. The equipment may be attached to other equipment but may not be used to inject sludge. To qualify for the subtraction, the equipment must have been purchased after December 31, 1989, have a minimum useful life of four years following the purchase date, and be owned for at least three years after the tax subtraction is taken.



Liquid Manure Injection Equipment includes new or used equipment designed to reduce nutrient runoff from an agricultural operation. The equipment may be attached to other equipment but may not be used to inject sludge. To qualify for the subtraction, the equipment must have been purchased after December 31, 1989, have a minimum useful life of four years following the purchase date, and be owned for at least three years after the tax subtraction is taken.

Poultry or Livestock Manure Spreading Equipment is required to be used on farmland in accordance with a valid nutrient management plan prepared by a state-certified nutrient management consultant. To qualify for the subtraction, the equipment must be used to apply solid or liquid livestock waste. Poultry manure spreading equipment must also be capable of being calibrated to 1.0 ton/per acre to spread poultry manure and bedding from normal poultry production. Poultry and livestock manure spreading equipment must have been purchased after December 31, 1997 and be owned for at least three years after the tax subtraction is taken.

Conservation Tillage Equipment includes new or used *no-till planters or drills* designed to minimize soil movement during agricultural production. The equipment may be attached to other equipment but must have been purchased after December 31, 1985, have a minimum useful life of four years following the purchase date, and be owned for at least three years after the tax subtraction is taken.



Preparing the Tax Form

Compute your Maryland adjusted gross income (AGI) without including the subtraction for the conservation equipment. Compare the Maryland AGI to the expense certified for the subtraction. If the AGI is larger, subtract the entire certified expense. However, if your AGI is less than the certified expense, subtract a portion of the expense equal to the Maryland AGI and carry the balance over to succeeding tax years (not to exceed five) until the expense is used. The subtraction modification is entered on the line labeled "other subtractions" which appears on Maryland Form 502 (Individuals) and Maryland Form 500 (Corporations).

How to Certify the Equipment Expense

Contact your local soil conservation district to obtain a certification form and information about eligibility requirements for the subtraction modification.

■ Provide the soil conservation district with a dated receipt for the equipment purchase for verification purposes.

■ The soil conservation district will forward the completed certification form to the Maryland Department of Agriculture for final approval.

■ You will receive two copies of the form—the original, which accompanies your Maryland Tax Return, and a copy for your records.

■ Subtract the approved certified equipment and installation expense from your Maryland Tax Return.

Compliance

All equipment must be retained for three years. Tax returns must be adjusted if the equipment is sold or traded before the three-year retention period ends. Taxpayers who claim a deduction for poultry or livestock spreading equipment may be subject to a spot check by the Maryland Department of Agriculture to confirm that the manure or poultry litter application is performed in accordance with a valid nutrient management plan. Certification of equipment for the income tax subtraction is authorized by Section 208 of the Tax General Article, Laws of Maryland.

How the Maryland Income Tax Subtraction Modification Might Work For You

INDIVIDUALS

(Approved equipment expense \$10,000)

Example 1

Federal Adjusted Gross Income	\$ 25,000
Addition Modifications	+ \$ 1,500
Total Federal Adjusted Income	\$ 26,500
Subtraction Modification for Equipment Entered as "Other Subtractions" on Maryland Form 502	- \$ 10,000
Maryland Adjusted Gross Income	\$ 16,500

Result: The entire \$10,000 equipment expense may be subtracted this year on your Maryland Tax Return.

Example 2

Federal Adjusted Gross Income	\$ 25,000
Addition Modifications	+ \$ 200
Total Federal Adjusted Income	\$ 25,200
Subtractions Before Deducting Equipment	- \$ 20,000
Subtraction Modification for Equipment Entered as "Other Subtractions" on Maryland Form 502	- \$ 5,200
Maryland Adjusted Gross Income	\$ 0

Result: Of the approved equipment expense, \$5,200 may be subtracted this year. The \$4,800 balance may be carried over and subtracted within the next five tax years.

CORPORATIONS

(Approved equipment expense \$50,000)

Example 1

Federal Taxable Income	\$ 156,000
Addition Modifications	+ \$ 7,500
Total	\$ 163,500
Subtractions Before Deducting Equipment	- \$ 2,400
Subtraction Modification for Equipment Entered as "Other Subtractions" on Maryland Form 500	- \$ 50,000
Maryland Modified Income	\$ 111,100

Result: The entire \$50,000 equipment expense may be subtracted this year.

Example 2

Federal Taxable Income	\$ 75,000
Addition Modifications	+ \$ 100
Total	\$ 75,100
Subtractions Before Deducting Equipment	- \$ 67,100
Subtraction Modification for Equipment Entered as "Other Subtractions" on Maryland Form 500	- \$ 8,000
Taxable Income After Deducting Equipment	\$ 0

Result: Of the approved equipment expense, \$8,000 may be subtracted this year. The \$42,000 balance may be carried over and subtracted within the next five tax years.

