

## Maryland's 24 Soil Conservation Districts

Allegany	301-777-1747, ext. 3
Anne Arundel	410-571-6757
Baltimore County	410-527-5920, 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	301-334-6950, ext. 3
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 County	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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Office of Resource Conservation**  
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**Maryland  
Department of Agriculture**  
Office of Resource Conservation

**New for 2013**

# The Maryland Income Tax Subtraction Modification for Conservation Equipment



## A Tax Break for Farmers

The Maryland Income Tax Subtraction Modification for Conservation Equipment helps 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. The subtraction modification allows farmers to subtract eligible equipment purchases from taxable income on Maryland individual and corporate tax returns.

## Guidelines

A farmer is allowed a subtraction on his/her Maryland Tax Return equal to 100 percent of the cost of buying and installing conservation tillage equipment, liquid manure injection equipment, poultry or livestock manure spreading equipment, global positioning devices, and integrated optical sensing and nutrient application systems. Vertical tillage equipment used to incorporate livestock manure or poultry litter is eligible for a subtraction credit of 50 percent of its cost. The following rules apply:

- *The equipment must have a useful life of four years*
- *The taxpayer must own the equipment at least three years after the taxable year in which the subtraction is made*
- *If the subtraction exceeds the Maryland taxable income, any excess may be used in succeeding tax years, not to exceed five*
- *A taxpayer must submit a form and signed and dated receipt of the equipment purchase to the local soil conservation district and MDA.*

## Eligible Equipment and Requirements



**Conservation Tillage Equipment:** New or used no-till planters or drills purchased after December 31, 1985 to minimize soil movement during agricultural production.



**Liquid Manure Injection Equipment:** New or used equipment purchased after December 31, 1989 to reduce nutrient runoff from a farm.

**Poultry or Livestock Manure Spreading Equipment:** New or used equipment purchased after December 31, 1987 that is not used to apply sludge. Poultry manure spreading equipment must be capable of being calibrated to 1 ton/per acre to spread poultry manure and bedding from normal poultry production.



**Deep No-till Rippers:** New or used equipment purchased after December 31, 2001 to address soil compaction in high residue cropping systems. The equipment may be attached to or pulled by other equipment, but must not invert the soil profile.



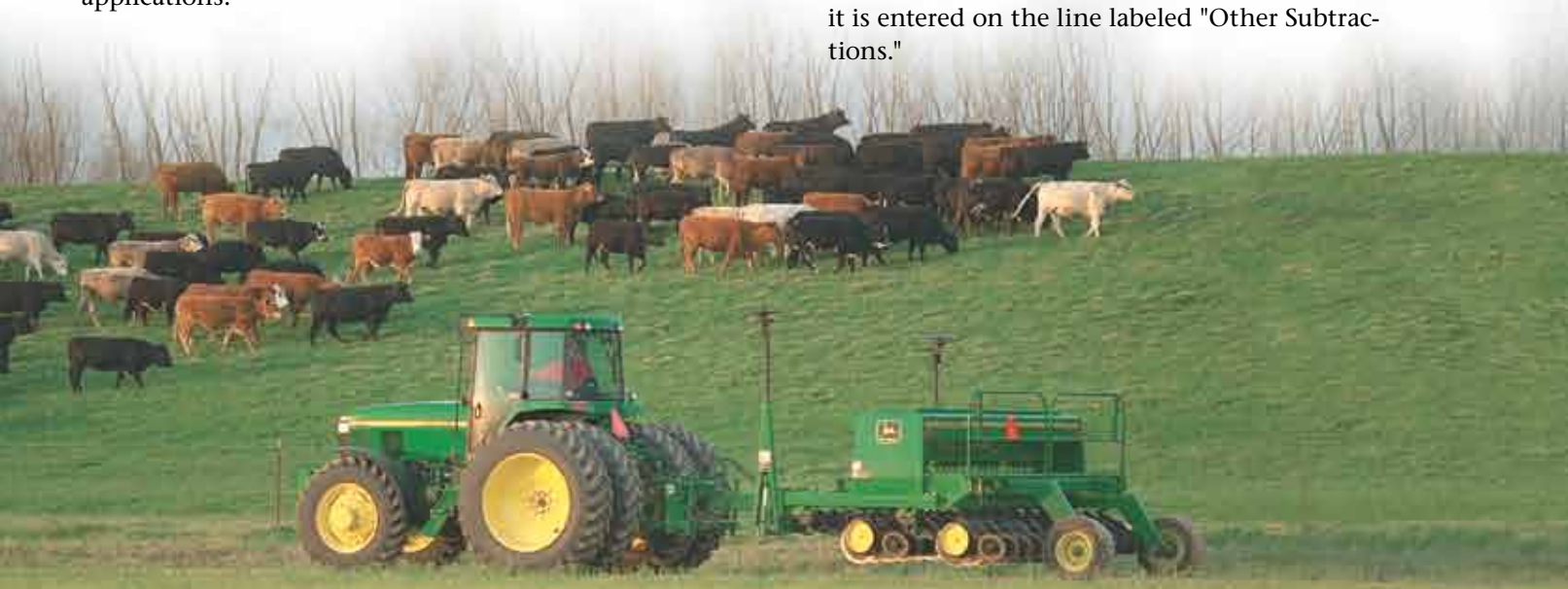
**Vertical Tillage Equipment:** New or used equipment purchased after December 31, 2012 to incorporate livestock manure or poultry litter into the soil. *Note: This equipment is eligible for a subtraction credit equal to 50 percent of its cost.*

### Preparing the Tax Form

Farmers should compute their 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 the 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 is entered on Maryland Form 502 (Individuals) under "Subtractions from Income." On Maryland Form 500 (Corporations) it is entered on the line labeled "Other Subtractions."

**Global Positioning Devices:** New or used systems purchased after December 31, 2012 to manage agricultural nutrients.

**Optical Sensing and Nutrient Application Systems:** Integrated systems purchased after December 31, 2012 to refine and target nutrient applications.



### How to Certify the Equipment Expense

- Contact the local soil conservation district (SCD) to obtain a certification form and eligibility requirements for the subtraction modification. Forms are available online at [www.mda.maryland.gov](http://www.mda.maryland.gov). Click on the *Conservation* tab, then click on *Financial Assistance* in the left menu bar.
- Provide the SCD with a signed and dated receipt for the equipment purchase.
- The SCD will verify eligibility and forward the completed certification form to MDA for final approval.
- Farmers will receive two copies of the form, the original, which accompanies their Maryland Tax Return, and a copy for their records.

- Farmers should subtract the approved certified equipment and installation expense from their Maryland Tax Returns.

### Compliance

All equipment must be retained for three years following the tax year that the subtraction is taken. Tax returns must be adjusted if the equipment is sold or traded before the three-year retention period ends. Farmers who claim a deduction for manure spreading or injection equipment or equipment to manage nutrient applications may be subject to a spot check. 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 Farmers

#### INDIVIDUALS OR CORPORATIONS (Approved equipment expense \$50,000)

<u>Example 1</u>		<u>Example 2</u>	
Federal Taxable Income	\$ 156,000	Federal Taxable Income	\$ 75,000
Addition Modifications	+ \$ 7,500	Addition Modifications	+ \$ 100
<b>Total</b>	<b>\$ 163,500</b>	<b>Total</b>	<b>\$ 75,100</b>
Subtractions Before Deducting Equipment	- \$ 2,400	Subtractions Before Deducting Equipment	- \$ 67,100
Subtraction Modification for Equipment Entered as an income subtraction on Maryland Forms 502 and 500	- \$ 50,000	Subtraction Modification for Equipment Entered as an income subtraction on Maryland Forms 502 or 500	- \$ 8,000
<b>Maryland Adjusted Gross Income</b>	<b>\$ 111,100</b>	<b>Maryland Adjusted Gross Income</b>	<b>\$ 0</b>

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

**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.