

The Maryland Income Tax Subtraction Modification for Conservation Equipment

A Tax Break for Farmers



This tax break can help you offset costs associated with buying certain conservation equipment to control soil erosion, manage nutrients, and protect local water quality.



You can subtract 100% of the cost of eligible equipment purchases outlined below from taxable income on Maryland individual and corporate tax returns. *Please note: vertical tillage equipment qualifies for a 50% subtraction.*



Eligible Equipment

- **No-Till Planting Equipment**—New or used no-till planters or drills purchased after 12/31/85.
- **Liquid Manure Injection Equipment**—New or used equipment purchased after 12/31/89 to reduce nutrient runoff.
- **Poultry or Livestock Manure Spreading Equipment**—New or used equipment purchased after 12/31/89 (not used to apply sludge). 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 12/31/01 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.
- **Global Positioning Devices**—New or used systems purchased after 12/31/12 to manage agricultural nutrients.
- **Optical Sensing and Nutrient Application Systems**—Integrated systems purchased after 12/31/12 to refine and target nutrient applications.
- **Vertical Tillage Equipment**—New or used equipment purchased after 12/31/12 to incorporate manure or poultry litter into the soil. This equipment is eligible for a subtraction credit equal to 50 percent of its cost.
- **SPECIAL NOTE:** Shipping, handling, freight fees, travel time fees, auction buyer premiums, upgrades on equipment (other than GPS and installation), subscription renewals, discounts, federal or state taxes, internet fees, and other fees are not eligible for the tax subtraction.



For more details →



Equipment Guidelines

- The equipment must have a useful life of four years.
- You must own the equipment at least three years after the tax year the subtraction is made.
- If the subtraction exceeds your Maryland taxable income, any excess may be used in succeeding tax years, not to exceed five years.



How to Certify the Equipment Expense

- Submit a certification form and a signed and dated equipment receipt to your local soil conservation district. The equipment must have been purchased within the last **five** years. Provide serial numbers for both new and trade-in equipment purchased. You can download the certification form at bit.ly/Tax-Subtraction-Certification.
- The district will verify eligibility and forward the completed certification form to MDA 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.



Preparing the Tax Form

- Go to marylandtaxes.gov and search for Maryland Form 502 (individuals) or Maryland Form 500 (corporations). Compute your Maryland adjusted gross income (AGI) without including the conservation equipment subtraction.
- Compare your Maryland AGI to the expense certified for the subtraction. If your AGI is larger, subtract the entire certified expense; 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.
- Enter the subtraction on Maryland Form 502 (Individuals) under *Subtractions from Income*. On Maryland Form 500 (Corporations), enter the subtraction the line labeled *Other Subtractions*.



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. If you claim a deduction for manure spreading, injection equipment, or equipment to manage nutrient applications, you may be subject to a spot check. Equipment certification for the income tax subtraction is authorized by Section 208 of the Tax General Article, Laws of Maryland.



Questions

Contact the Conservation Grants Program at 410-841-5864 or reach out to your local soil conservation district.

Scan the QR code
with your mobile device
to visit our website.



mda.maryland.gov/conservation



Maryland Department of Agriculture

Office of Resource Conservation

CONSERVATION GRANTS | Ecosystem Incentives
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