HB 593

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 593 (Delegate Doory, et al.)
Economic Matters

Unemployment Insurance Contributions - Annual Filing for Employers of Household Workers

This bill permits, to the extent allowed by federal law and regulations, an employer of domestic workers who is allowed to pay federal employment taxes annually to submit the employer's unemployment insurance contribution and employment report annually with the employer's State income tax return. The Comptroller must collect and forward to the Department of Labor, Licensing and Regulation (DLLR) the employment report and contributions. The Secretary of DLLR is required to seek any waivers or modifications required to implement this bill.

Fiscal Summary

State Effect: Potential general fund expenditure increase of $51,000 in FY 1997. Revenues would not be affected.

Local Effect: None.

Unemployment Insurance Trust Fund: Potential loss of interest earnings of approximately $200,000 annually.

Fiscal Analysis

State Expenditures: The Office of the Comptroller advises that costs could increase by $51,000 in fiscal 1997 for computer programming changes, and costs could increase by $59,400 annually for including a new form and instructions in the individual income tax booklets.

The Department of Fiscal Services advises that if other legislation is also enacted changing

the Maryland individual income tax calculation, economies of scale regarding computer programming changes could be realized. This could reduce computer programming costs associated with this bill and other tax legislation. Further, since roughly ten thousand forms would be required, the Comptroller need not include the form and instructions in the individual income tax booklet. Rather, a notice for affected taxpayers that another form is required would suffice. Printing costs would be reduced substantially, and could be absorbed within existing budgeted resources.

Unemployment Insurance Trust Fund: Under this bill, contributions would be paid up to one year later than would otherwise be the case. An estimated $78.6 million of wages are paid to household workers annually. Assuming an average unemployment insurance tax rate of 3.2% and interest on trust fund balances of 7.29%, interest of approximately $200,000 could be lost annually.

Additional Comments: The bill is only effective "to the extent allowed by federal law and regulations, including requirements for certification of the State's unemployment law." Current federal law does not permit states to allow employers of domestic workers to file annual wage reports, and the State would be out of conformity with federal law. The provisions of the bill will therefore presumably not be implemented unless and until the Secretary of the Department of Labor, Licensing and Regulation reaches an agreement with appropriate federal authorities. The bill will have no fiscal impact until such an agreement is reached.

Information Source(s): Department of Labor, Licensing and Regulation (Office of Unemployment Insurance); Office of the Comptroller (Revenue Administration Division); Department of Fiscal Services

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