HB 206

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 206 (Chairman, Ways and Means Committee)
(Departmental - Budget and Management)
Ways and Means

Income Tax - Earned Income Subtraction Modification

This departmental bill provides that, in determining eligibility for the poverty income subtraction modification, any net operating loss deduction must be added to federal adjusted gross income (FAGI).

This bill is effective July 1, 1997, and applies to all tax years beginning after December 31, 1996.

Fiscal Summary

State Effect: Minimal increase in general fund revenues. Expenditures would not be affected.

Local Effect: Local revenues would increase by 54.5% of any State revenue increase. Expenditures would not be affected.

Small Business Effect: The Department of Budget and Management has determined that this bill has minimal or no impact on small businesses (attached). Fiscal Services concurs with this assessment.

Fiscal Analysis

State Revenues: General fund revenues would increase by an indeterminate amount. In 1994, there were at least 12 tax returns with poverty subtractions of $42,732 which would have been disallowed under this provision. These returns had substantial 1994 gross income, but net operating losses from prior years reduced FAGI to the poverty income standard. The revenue increase would have been $2,137 (5% of $42,732) had this bill been in effect in

tax year 1994. The actual revenue increase, which would begin in fiscal 1998, depends on the amount of net operating losses which would be used to bring FAGI plus Maryland addition modifications under the poverty level guidelines.

Information Source(s): Office of the Comptroller (Revenue Administration Division), Department of Fiscal Services

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