

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 77 (Chairman, Budget and Taxation Committee)
(Departmental - Housing and Community Development)

Budget and Taxation

**Housing and Community Development - Neighborhood and Community Assistance
Program - Definition of Business Entities**

This departmental bill allows business entities other than corporations to claim a State income tax credit for neighborhood and community assistance contributions.

This bill is effective July 1, 1998.

Fiscal Summary

State Effect: General fund revenues could decline slightly, and Transportation Trust Fund (TTF) revenues would increase by a corresponding amount. Expenditures would not be affected.

Local Effect: Local revenues could increase slightly since a portion of TTF revenues are distributed to local governments.

Small Business Effect: The Department of Housing and Community Development has determined that this bill has minimal or no economic impact on small businesses (attached). Legislative Services concurs with this assessment.

Fiscal Analysis

State Revenues: Currently, certain business entities including those which are subject to the State corporate income tax can claim a tax credit of 50% of contributions to an approved Neighborhood and Community Assistance Program project. Only \$1,000,000 of credits are available each fiscal year. For those contributions claimed against the corporate income tax, 75% of the revenue loss is from the general fund and 25% is from the TTF.

This bill allows business entities who are subject to the individual income tax (sole proprietorships, partnerships, and others) to claim these credits. To the extent that credits claimed by these entities replace those which would have been claimed by corporations, general fund revenues would decline since the general fund would absorb the credit's entire revenue loss rather than just 75% of the loss. TTF revenues would increase by the amount of the general fund's loss. The amount of credits which would be claimed by these entities rather than corporations cannot be reliably estimated, but is expected to be minimal.

In any case, total State revenues will not be affected by this bill because the \$1,000,000 cap on credits remains.

Information Source(s): Department of Housing and Community Development, Office of the Comptroller (Bureau of Revenue Estimates), Department of Legislative Services

Fiscal Note History: First Reader - January 26, 1998

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