

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

Senate Bill 390 (Senator Ruben. *et al.*)

Budget and Taxation

Tax Credit for Cost of Providing Commuter Benefits to Employees

This bill creates a tax credit for employers that provide commuting benefits to their employees. The credit is equal to 50% of the cost of ride-share commuting expenses provided by the employer, subject to a maximum credit of \$30 per employee per month. Eligible employer-provided commuter expenses are those that cover multiple-seating vehicle transportation costs and mass-transit transportation costs. The credit is not refundable and may not be carried forward.

The bill takes effect July 1, 1999 and applies to all taxable years beginning after December 31, 1999.

Fiscal Summary

State Effect: State revenues would decrease by \$1.1 million in FY 2001. Out-year revenue losses grow by about 1% annually. No effect on expenditures.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
SF/GF Revenues	\$0	(\$1,093,100)	(\$1,107,500)	(\$1,123,000)	(\$1,139,900)
GF Expenditures	0	0	0	0	0
Net Effect	\$0	(\$1,093,100)	(\$1,107,500)	(\$1,123,000)	(\$1,139,900)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - =indeterminate effect

Local Effect: Indeterminate decrease in local revenues. No effect on expenditures.

Small Business Effect: Minimal.

Fiscal Analysis

State Revenues: There is currently a ride-share subsidy program operated by Montgomery County: FareShare. The program matches dollar for dollar the amount that employers contribute towards employees' ride-share commuting expenses, subject to a \$65 per employer per month limit. Thus, both the employers and Montgomery County contribute \$32.50 per employee per month. The program has been operational for six months and currently has 21 companies and 964 employees participating. Of the 964 employees participating in the program, however, 55.6% are employed by tax-exempt organizations and thus would not be able to claim the tax credit. Employers for the remaining 428 commuting employees will qualify for the credit.

In addition, the Maryland Transit Administration (MTA) and the Washington Metropolitan Transportation Authority (WMATA) administer commuter programs. According to MTA, about 6,300 Maryland employees participate in these programs and approximately 20% are employed by tax-exempt organizations.

As a result of the credit, it is estimated that State revenues would decrease by \$1.1 million in fiscal 2001. The estimate is based on the following facts and assumptions:

- The total number of employees participating in fiscal 2001 will be about 4,200.
- Participation in any ride-share program will vary significantly across counties depending on the availability of public or private mass transit and other ride-share arrangements such as van-pools.
- Credits will be taken against the individual or corporate income tax, the insurance premium tax, and the financial institution franchise tax.
- Employers currently participating in FareShare will claim a credit of \$16.25 per employee per month, some employers participating through MTA and WMATA will claim \$15 per employee per month, while all other employers offering commuter benefits will claim the maximum credit of \$30.
- Employers are able to claim all the allowed credit for the taxable year.

To the extent that some employers are not able to claim the full credit allowed because the amount of the credit exceeds the business' tax liability, the impact on State revenues would be reduced. In addition, if credits are taken against the corporate income tax, special fund revenues would decrease because 25% of corporate tax receipts are distributed to the Transportation Trust Fund (TTF).

Future year revenues losses grow by about 1% annually.

Local Revenue: Since 30% of TTF distributions are transferred to local governments,

revenues for local jurisdictions would decrease for those credits taken against the corporate income tax.

Information Source(s): Montgomery County, Environmental Defense Fund, Comptroller of the Treasury (Bureau of Revenue Estimates), Maryland Transit Administration, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History:	First Reader - February 22, 1999
lnc/jr	Revised - Updated Information - February 23, 1999
	Revised - Senate Third Reader - March 29, 1999

Analysis by: Lina Walker

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510