

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

Senate Bill 852 (Senator Hooper, *et al.*)
 Budget and Taxation

Income Tax - Credit for Motorized Shopping Carts

This bill creates a tax credit against the State income tax for retail establishments that purchase up to two motorized shopping carts for each business location in order to assist individuals with disabilities shop in the retail establishment. The maximum value of the credit that can be claimed by individuals or corporations is equal to \$1,000, not to exceed the tax liability for that tax year. Any unused amount of the credit can be carried forward five tax years.

The bill takes effect July 1, 2007 and applies to tax years 2007 through 2010. The bill terminates December 31, 2010.

Fiscal Summary

State Effect: General fund revenues would decrease by \$1.5 million in FY 2008 due to credits claimed against the personal and corporate income tax. Transportation Trust Fund (TTF) revenues would decrease by \$325,700 due to credits claimed against the corporate income tax. Future years reflect estimated number of taxpayers claiming the credit. General fund expenditures would increase by \$34,000 in FY 2008, which reflects one-time tax form changes and computer programming expenditures.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF Revenue	(\$1,484,000)	(\$593,600)	(\$593,600)	(\$330,400)	\$0
SF Revenue	(325,700)	(130,300)	(130,300)	(72,500)	0
GF Expenditure	34,000	0	0	0	0
Net Effect	(\$1,843,700)	(\$723,900)	(\$723,900)	(\$402,900)	\$0

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

Local Effect: Local highways user revenues would decrease by \$97,700 in FY 2008, \$39,000 annually in FY 2009 and 2010, and by \$22,000 in FY 2011. No effect on expenditures.

Small Business Effect: Minimal.

Analysis

Current Law: No similar State income tax credit exists.

Background: Motorized shopping carts are available in a variety of retail establishments, notably in grocery stores and large discount shopping stores. The U.S. Census Bureau estimates that in 2002 there were 18,400 retail store establishments in Maryland. Of these, 2,034 are grocery stores and 154 are discount department stores.

State Revenues: Tax credits could be claimed beginning in tax year 2007. General fund revenues would decrease by \$1.5 million in fiscal 2008 and TTF revenues could decrease by \$325,700 in fiscal 2008. By fiscal 2011, general fund revenues would decrease by \$330,400 and TTF revenues would decrease by \$72,500. Revenues would not be affected beginning in fiscal 2012. This estimate is based on the following facts and assumptions:

- Grocery stores and discount and warehouse retail stores accounted for approximately 10% of all retail establishments in 2002. It is assumed that 50% of these businesses purchase a motorized shopping cart in 2007, 20% in both 2008 and 2009, and 5% in 2010.
- Motorized shopping carts would not be purchased by businesses in which the carts have limited functionality such as gas stations, small liquor stores, and convenience stores.
- Carts can be purchased for as little as \$700. The bill provides a substantial financial incentive for business owners to purchase the carts.
- Five percent of all other businesses purchase a motorized shopping cart in 2007 and 2% in future years.

State Expenditures: The Comptroller's Office reports that it would incur a one-time expenditure increase of \$34,000 in fiscal 2008 in order to add the credit to the personal and corporate income tax forms. This includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Additional Information

Prior Introductions: SB272/HB 773 of 2006, similar bills, were not reported from the Senate Budget and Taxation Committee and House Ways and Means Committee, respectively.

Cross File: None listed, although HB 1329 is identical.

Information Source(s): Comptroller's Office, U.S. Census Bureau, Department of Legislative Services

Fiscal Note History: First Reader - March 21, 2007
ncs/hlb

Analysis by: Robert J. Rehrmann

Direct Inquiries to:
(410) 946-5510
(301) 970-5510