

Department of Legislative Services  
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 365  
Budget and Taxation

(Senator Peters, *et al.*)

Maryland Veterans Trust Fund - Income Tax Checkoff

This bill establishes a Maryland Veterans Trust Fund checkoff on the individual income tax return form. After the Comptroller deducts administrative expenses, contributions are credited to the fund.

The bill takes effect July 1, 2011, and applies to tax year 2011 and beyond.

Fiscal Summary

**State Effect:** Minimal net increase in special fund revenues in FY 2012 and beyond. General fund expenditures increase by \$40,000 in FY 2012 due to one-time computer programming expenses at the Comptroller’s Office. Special fund expenditures increase by \$52,800 in FY 2012 due to administrative costs at the Maryland Department of Veterans Affairs (MDVA). Future year expenditures reflect annualized salaries, operating costs, and inflation at MDVA.

(in dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
SF Revenue	-	-	-	-	-
GF Expenditure	\$40,000	\$0	\$0	\$0	\$0
SF Expenditure	\$52,800	\$65,900	\$69,400	\$73,000	\$76,800
Net Effect	(\$92,800)	(\$65,900)	(\$69,400)	(\$73,000)	(\$76,800)

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

## Analysis

**Current Law:** Chapter 742 of 2009 established the Maryland Veterans Trust Fund. The fund consists of gifts and grants received by MDVA. Money in the fund may be used to make grants and loans to veterans and their families, support public and private programs that serve veterans in the State, or support the Charlotte Hall Veterans Home. Money in the fund may also be used to invest in general obligations of the State or other securities, pay for the cost of administering the fund, or support any other programs that the Secretary considers appropriate. Money expended from the fund is supplemental to and is not intended to take the place of funding otherwise appropriated to MDVA.

The Chesapeake Bay and Endangered Species Fund (CBESF), Cancer Research Fund (CRF), and Developmental Disabilities Waiting List Equity Fund Contribution (WLEF) are the three current checkoffs on the personal income tax form. Chapters 499 and 500 of 2010 established the WLEF checkoff beginning with tax year 2010. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) eliminated the Fair Campaign Financing Fund (FCFF). In fiscal 2010, \$1.0 million was donated to CBESF, \$463,000 to CRF, and \$108,300 to FCFF. **Exhibit 1** shows the amount of donations provided through income tax checkoffs since fiscal 1990.

**State Revenues:** While the amount of donations cannot be accurately estimated, the Department of Legislative Services estimates that there will be a minimal net increase in special fund revenues in fiscal 2012 and beyond. Donations to this checkoff would likely divert funds from the three existing personal income checkoffs: CBESF, CRF, and WLEF. To the extent that the new checkoff does not divert funds from the existing checkoffs, net special fund revenues will increase by a greater amount.

**State Expenditures:** MDVA currently administers the Maryland Veterans Trust Fund, to which funds generated by the checkoff established by the bill would be distributed. However, MDVA will incur additional costs of \$52,811 in fiscal 2012 as a result of hiring a grant specialist to handle the anticipated increase in donations to the fund. This amount includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. Although the bill is effective July 1, 2011, taxpayers will begin donating to the fund beginning in January 1, 2012, necessitating an October 1, 2011 hire date.

Salary and Fringe Benefits	\$48,318
Operating Expenses	<u>4,493</u>
<b>FY 2012 MDVA Expenditures</b>	<b>\$52,811</b>

Future year expenditures reflect full salaries with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses.

The Comptroller's Office reports that it will incur a one-time general fund expenditure increase of \$40,000 in fiscal 2012 to add the checkoff to personal income tax forms. This includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

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**Exhibit 1**  
**Donations to Existing Income Tax Checkoffs**  
**Fiscal 1990-2010**  
**(\$ in Thousands)**

<b>Fiscal</b>	<b>CBESF</b>	<b>FCFF</b>	<b>CRF</b>	<b>Total</b>	<b>Difference</b>	<b>Percent Difference</b>
1990	\$1,045	\$0	\$0	\$1,045		
1991	1,093	0	0	1,093	\$48	4.6%
1992	1,167	0	0	1,167	74	6.8%
1993	995	0	0	995	-172	-14.7%
1994	1,037	0	0	1,037	42	4.2%
1995	1,171	0	0	1,171	134	12.9%
1996	958	75	0	1,033	-138	-11.8%
1997	875	85	0	960	-73	-7.1%
1998	828	92	0	920	-40	-4.2%
1999	954	110	0	1,064	144	15.7%
2000	958	115	0	1,073	9	0.8%
2001	965	123	0	1,088	15	1.4%
2002	1,109	134	0	1,243	155	14.2%
2003	1,380	173	0	1,553	310	24.9%
2004	1,571	184	0	1,755	202	13.0%
2005	1,144	114	423	1,681	-74	-4.2%
2006	1,180	121	455	1,756	75	4.5%
2007	1,189	118	550	1,857	101	5.8%
2008	1,133	113	522	1,768	-89	-4.8%
2009	1,223	117	569	1,909	141	8.0%
2010	1,000	108	463	1,571	-338	-18.0%

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## **Additional Information**

**Prior Introductions:** SB 65 of 2010 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

**Cross File:** None.

**Information Source(s):** Comptroller's Office, Department of Veterans Affairs, Department of Legislative Services

**Fiscal Note History:** First Reader - February 10, 2011  
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