

Department of Legislative Services
2013 Session

FISCAL AND POLICY NOTE

House Bill 1004
Ways and Means

(Delegate Cardin, *et al.*)

Budget and Taxation

Income Tax - Subtraction Modification - Maryland Civil Air Patrol

This bill expands eligibility of the existing State income tax subtraction modification for qualifying volunteer fire, rescue, or emergency medical services personnel to include members of the Maryland Civil Air Patrol.

The bill takes effect July 1, 2014, and applies to tax year 2015 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease by \$111,400 annually beginning in FY 2016 due to the expansion of the subtraction modification. Expenditures are not affected.

| (in dollars) | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|--------------|---------|---------|-------------|-------------|-------------|
| GF Revenue | \$0 | \$0 | (\$111,400) | (\$111,400) | (\$111,400) |
| Expenditure | 0 | 0 | 0 | 0 | 0 |
| Net Effect | \$0 | \$0 | (\$111,400) | (\$111,400) | (\$111,400) |

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

Local Effect: Local income tax revenues decrease by \$76,700 annually beginning in FY 2016. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law/Background: The Honorable Louis L. Goldstein Volunteer Police, Fire, Rescue, and Emergency Medical Services Personnel Subtraction Modification Program allows a subtraction modification of \$3,500 for individuals who serve in a volunteer capacity and qualify for active duty service during the tax year. Individuals can qualify if they are (1) a member of a Maryland fire, rescue, or emergency medical services organization; (2) a member of an auxiliary organization of a Maryland fire, rescue, or

emergency medical services organization; (3) a police auxiliary or reserve volunteer; or (4) a member of the U.S. Coast Guard Auxiliary.

Chapter 267 of 2003 (SB 746) allowed an individual to claim the subtraction modification if the individual did not qualify due to being called into service on active duty in the U.S. Armed Forces or was a qualifying civilian or member of the Merchant Marines in support of the Armed Forces in a designated combat zone.

State and Local Revenues: The Maryland Civil Air Patrol consists of about 1,650 members, 854 of whom are cadets. An estimated 850 members, including about 40 adult cadets, will qualify for the \$3,500 subtraction modification.

The subtraction modification may be claimed beginning in tax year 2015. As a result, general fund revenues will decrease by \$111,400 annually beginning in fiscal 2016. Local income tax revenues will decrease by \$76,700 annually beginning in fiscal 2016.

This estimate is based on data provided by the Maryland Civil Air Patrol and assumes that 20% of members either already qualify for the subtraction modification (as volunteer firefighters, etc.) or do not have sufficient tax liability to claim the subtraction modification, and that 75% of adult cadets will claim the subtraction modification. The subtraction modification for each eligible individual will reduce total State and local taxes in a tax year by about \$275.

Additional Information

Prior Introductions: HB 734 of 2011 and HB 754 of 2010 received a hearing in the House Ways and Means Committee, but no further action was taken. SB 864 of 2010 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. HB 1359 of 2009 received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: SB 774 (Senator Mathias, *et al.*) - Budget and Taxation.

Information Source(s): Civil Air Patrol, Maryland Wing; Comptroller's Office; Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2013
ncs/jrb

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