

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 413 (Delegate Glass, *et al.*)
Ways and Means

Income Tax Credit - Veterinary Services for Adopted Police Dogs

This bill creates a credit against the State income tax for 100% of the eligible veterinary service expenses incurred by an active State or local police department employee for an adopted State or local police dog. The amount of the tax credit may not exceed \$1,000 in the taxable year.

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

Fiscal Summary

State Effect: General fund revenues decrease beginning in FY 2016 due to eligible expenses being claimed against the State income tax. Under one set of assumptions, general fund revenues may decrease by \$50,000 annually. General fund expenditures increase by \$48,000 in FY 2016 due to one-time implementation costs at the Comptroller's Office.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: No similar State income tax credit exists.

Background: The primary mission of the Department of State Police (DSP) canine unit is to provide DSP and other police departments specialized canine support to assist them in their mission of protecting both the life and property of the citizens of the State of Maryland. This is achieved by advancing the primary purpose of the police service canine,

which is to “locate and indicate” whether it be for narcotics, explosives, or people wanted for either criminal acts or those reported missing. The Governor’s proposed fiscal 2016 budget includes \$40,000 for veterinary services for canine units at the support services bureau of DSP and \$600 for these expenses in the State Fire Marshal’s office. DSP reports 33 handlers currently use 41 canines.

The Department of Natural Resources (Natural Resources Police) has five canines, with plans to acquire one more by July 1, 2016. The Governor’s proposed fiscal 2016 budget includes \$6,000 for veterinary services for these dogs.

Numerous local jurisdictions also operate canine units.

DSP is responsible for maintaining a registry of all publicly owned dogs used for law enforcement by State or local government agencies. Licensing and registration is done online. The license terminates upon the death of the dog, retirement from service, or transfer to another agency. Upon reassignment of a handler and/or the assignment of the canine to a new handler, the new handler or agency is required to notify DSP.

The number of new State and local law enforcement dog licenses issued each year by DSP since calendar 2011 is shown in **Exhibit 1**, along with the number of DSP dogs that retire each year, and the veterinary service costs for active DSP dogs. DSP reports that the average service life of a law enforcement dog is eight years, followed by an expected post-service life of four years.

Exhibit 1
Licenses Issued by DSP
Calendar 2011-2014

	<u>New Licenses Issued</u>	<u>Dogs Retired</u>	<u>DSP Veterinary Service Costs</u>
2011	93	2	\$46,205
2012	91	7	36,372
2013	82	6	39,570
2014	47	6	42,408

Source: Department of State Police

State Revenues: Tax credits may be claimed beginning in tax year 2015. As a result, general fund revenues may decrease beginning in fiscal 2016. The amount of revenue loss depends on the number of police dogs adopted by active State or local police department

employees and the amount of eligible expenses claimed against the State income tax. *For illustrative purposes only*, assuming 50 active State or local police department employees pay at least \$1,000 in veterinary services for adopted police dogs and that these individuals have a tax liability of at least \$1,000, general fund revenues decrease by \$50,000 annually.

State Expenditures: The Comptroller's Office reports that it would incur a one-time expenditure increase of \$48,000 to add the tax credit to the personal income tax form. This includes data processing changes to the SMART income tax return processing and imaging systems, and system testing.

Additional Information

Prior Introductions: HB 1357 of 2014 received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

Information Source(s): Anne Arundel, Baltimore, Charles, Frederick, and Montgomery counties; cities of Frederick and Havre de Grace; Department of Budget and Management; Department of Natural Resources; Comptroller's Office; Department of State Police; Department of Legislative Services

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md/jrb

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