HB 199

Department of Legislative Services

Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 199 (Charles County Delegation)
Ways and Means

Income Tax - Subtraction Modification - Unreimbursed Expenses of Foster Parents - Child Placement Agency

This bill expands the existing unreimbursed expenses of foster parents income tax subtraction modification by extending eligibility to treatment foster parents licensed by a child placement agency. The bill also alters provisions related to approved expenses and information reported by the Department of Human Resources (DHR).

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

Fiscal Summary

State Effect: General fund revenues decrease by $151,000 annually beginning in FY 2016 due to additional expenses being claimed against the State income tax. Future year revenue decreases reflect a stable amount of claims. Expenditures are not affected.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Revenue	($151,000)	($151,000)	($151,000)	($151,000)	($151,000)
Expenditure	0	0	0	0	0
Net Effect	($151,000)	($151,000)	($151,000)	($151,000)	($151,000)

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

Local Effect: Local revenues decrease by $99,000 annually beginning in FY 2016. Expenditures are not affected.

Small Business Effect: None.

Analysis

Bill Summary: The bill expands the existing subtraction modification for the unreimbursed expenses of foster parents by extending eligibility to treatment foster parents licensed by a child placement agency. A child placement agency includes (1) a local department of social services or the Montgomery County Department of Health and Human Services or (2) a private agency licensed by DHR or by a comparable agency in another state. A child placement agency must notify DHR of the foster parents it approves to provide 24-hour care for a foster child. Under current law, only the expenses approved by a local department as necessary may qualify for the subtraction modification. The bill will include only those necessary expenses approved by DHR, and requires DHR to report annually to the Comptroller's Office by October 1 of each year a list of the approved expenses.

Current Law: Chapter 419 of 2014 created a subtraction modification against the State income tax for 100% of the unreimbursed expenses incurred by a foster or kinship parent on behalf of a foster child. In order to qualify, the expenses must be approved as necessary by a local department of social services or the Montgomery County Department of Health and Human Services. Any expenses for which a foster parent receives reimbursement from a public or private agency may not be deducted. The maximum amount of the subtraction modification is limited to $1,500.

Foster parents must be approved by a local department to provide 24-hour care for a foster child, and treatment foster parents licensed by a child placement agency may not claim the subtraction modification. DHR is required by October 1 of each year to submit to the Comptroller a list of approved foster parents.

Federal income tax law exempts payments that are received for the support of a foster child from a child placement agency or a state or county. In addition, specific criteria govern whether a foster child may be claimed as a dependent and whether a taxpayer can claim related federal tax benefits such as the child tax credit.

Background: Foster care is a temporary service that provides short-term care and supportive services to children who are unable to live at home because of child abuse or neglect. Foster children live in family foster homes and group care settings. Foster care programs are operated by the counties and Baltimore City. Foster care caseworkers assist the birth and foster families in obtaining services, such as counseling and health care. Each foster care program also recruits, trains, approves, and retains foster care providers.

Chapter 546 of 1995 established the Kinship Care Program within the Social Services Administration of the Department of Human Resources. According to DHR, kinship care is one of the fastest growing populations nationally. A kinship parent is an individual who is related by blood or marriage within five degrees of consanguinity or affinity under the civil law rule to a child who is in the care, custody, or guardianship of the local department of social services and with whom the child may be placed for temporary or long-term care other than adoption. In fiscal 2013, there were a total of (1) 1,748 children in foster care, with State expenditures to parents totaling $14.9 million or an average monthly payment of $709 per child and (2) 2,133 children in subsidized guardianship, with State expenditures totaling $17.1 million or a monthly payment of $667 per child. According to the Comptroller's Office, a total of 3,242 foster parents were eligible to claim the subtraction modification in tax year 2014.

Treatment foster care programs are intended for those children unable to live with birth parents or in regular foster care homes. There are currently 39 DHR-licensed child placement agencies. According to DHR, as of November 2014 a total of 1,442 children were placed in treatment foster care programs by these agencies.

State Revenues: Subtraction modifications may be claimed beginning in tax year 2015. As a result, general fund revenues will decrease by $151,000 in fiscal 2016. This estimate is based on the number of children in treatment foster care programs and the average subtraction modification claimed to date ($1,409).

Local Revenues: Local income tax revenues decrease by about 3% of the total net State subtraction modification claimed. Local revenues will decrease by $99,000 annually beginning in fiscal 2016.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Human Resources, Comptroller's Office, Department of Legislative Services

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min/jrb

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