

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1050
 Ways and Means

(Delegate Platt, *et al.*)

Income Tax Credit - Holocaust Survivors

This bill creates a tax credit against the State income tax for an individual who is a Holocaust survivor, as defined by the bill. A Holocaust survivor with retirement income of \$100,000 or less may claim a \$2,000 credit (\$4,000 for a married couple filing a joint return if both spouses are Holocaust survivors). The Comptroller is required to adopt regulations to implement the bill.

The bill takes effect July 1, 2016, and applies to tax year 2016 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease by an estimated \$3.5 million annually beginning in FY 2017 due to credits claimed against the personal income tax. General fund expenditures increase by \$50,900 in FY 2017 due to implementation costs at the Comptroller’s Office.

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
GF Revenue	(\$3.5)	(\$3.5)	(\$3.5)	(\$3.5)	(\$3.5)
GF Expenditure	\$0.1	\$0	\$0	\$0	\$0
Net Effect	(\$3.6)	(\$3.5)	(\$3.5)	(\$3.5)	(\$3.5)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: A Holocaust survivor is defined as any person who between 1933 and 1945 (1) was both racially and religiously persecuted by the Nazis or their Axis allies or (2) emigrated due to this persecution from any country occupied by the Nazis or their Axis allies.

Retirement income is defined as any income from (1) plans qualified under § 401(a), § 403, or § 457(b) of the Internal Revenue Code (IRC); (2) individual retirement accounts and annuities under Section 408 of the IRC, including rollover accounts; (3) Roth individual retirement accounts under Section 408(a) of the IRC; (4) simplified employee pensions under Section 408(k) of the IRC; and (5) ineligible deferred compensation plans under Section 457(f) of the IRC.

Any unused amount of the credit may not be carried forward to any other tax year.

Current Law/Background: Chapter 117 of 1999 established an income tax subtraction modification for (1) income related to recovered Holocaust assets and (2) reparation/restitution payments made to a Holocaust victim or the victim's spouse or descendant. Chapter 117 also established an exemption against the State inheritance tax for the above-mentioned assets and distributions. The exclusion from the State income tax and inheritance tax includes interest on the proceeds receivable on specified insurance policies.

Federal law also provides for a similar exemption of restitution payments received as a Holocaust victim (or the heir of a Holocaust victim) and certain interest earned on the payments.

State Revenues: Tax credits may be claimed beginning in tax year 2016. As a result, general fund revenues may decrease by \$3.5 million annually beginning in fiscal 2017. This estimate is based on the following facts and assumptions:

- the Baltimore Jewish Council estimates that there are between 2,000 and 3,000 Holocaust survivors in Maryland; and
- based on the taxpayers who claim the existing subtraction modification for income related to Holocaust assets, 70% have retirement incomes of less than \$100,000.

State Expenditures: The Comptroller's Office reports that it would incur a one-time expenditure of \$50,900 in fiscal 2017 to add the new tax credit. This amount includes data processing changes to the SMART income tax processing and imaging systems and systems testing.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore Jewish Council, Comptroller's Office, Department of Legislative Services

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kb/jrb

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