

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 Enrolled - Revised

House Bill 1012
 Ways and Means

(Delegate McCray, *et al.*)

Budget and Taxation

Tax Credit - Commuter Benefits - Eligibility and Credit Amount

This bill increases the maximum amount of the commuter benefit tax credits that a business entity may claim against the State income tax and insurance premium tax from \$50 to \$100 per employee per month. The bill also decreases from eight to six the minimum seating capacity of a vehicle used in vanpools that may be eligible for the credit.

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

Fiscal Summary

State Effect: General fund revenues decrease by \$385,300 beginning in FY 2017 due to tax credits claimed against the income tax and the insurance premium tax. Transportation Trust Fund (TTF) revenues decrease by \$25,400 and Higher Education Investment Fund (HEIF) revenues decrease by \$10,400 in FY 2017. The Comptroller’s Office can implement the bill with existing resources.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
GF Revenue	(\$385,300)	(\$393,000)	(\$400,800)	(\$408,800)	(\$417,000)
SF Revenue	(\$35,900)	(\$36,600)	(\$37,300)	(\$38,100)	(\$38,800)
Expenditure	0	0	0	0	0
Net Effect	(\$421,100)	(\$429,500)	(\$438,100)	(\$446,900)	(\$455,800)

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

Local Effect: Local highway user revenues decrease by \$2,400 in FY 2017 and by \$2,600 in FY 2021. Expenditures are not affected.

Small Business Effect: Minimal. Small businesses that provide eligible commuter benefits to employees are positively impacted from lower taxes.

Analysis

Current Law: Maryland-based businesses that provide commuter benefits for employees may claim a tax credit for a portion of the amounts paid during the taxable year. Commuter benefits include certain vanpool costs for an employee’s travel to and from home and the workplace, a Guaranteed Ride Home program, or a parking “Cash-Out” program. A qualified vanpool must (1) travel between the employee’s residence and work location; (2) have a seating capacity of at least eight adults; (3) have at least 80% of the van’s mileage being used for transporting employees; and (4) have at least one-half of the vehicle’s seating capacity being used.

The tax credit is 50% of the cost of providing the commuter benefits up to a maximum of \$50 per month (based on a \$100 employer contribution) for each employee. The credit may not exceed the Maryland tax due for a particular tax year. If the credit is more than the tax liability, the unused credit may not be carried forward to any other taxable year.

Background: **Exhibit 1** shows the amount of commuter benefit tax credits claimed against the income tax for tax years 2009 through 2013. The commuter benefit tax credit can also be claimed against the insurance premium tax. Between fiscal 2003 and 2008, an average of \$61,000 in credits was claimed annually against the insurance premium tax.

Exhibit 1 Commuter Benefits Income Tax Credits Claimed 2009-2013

<u>Year</u>	<u>Returns</u>	<u>Credit</u>
2009	57	\$268,347
2010	59	\$457,821
2011	54	\$426,292
2012	62	\$187,688
2013	42	\$268,348

Source: Comptroller’s Office

State Revenues: The bill doubles from \$50 to \$100 per employee per month the maximum amount of the commuter benefit tax credits that a business entity may claim and decreases the minimum seating capacity requirement for vanpools to be eligible for the credit. As a result, general fund revenues decrease by \$385,262 in fiscal 2017. TTF revenues decrease by \$25,410, of which \$22,970 goes to the State, and HEIF revenues decrease by \$10,447 in fiscal 2017. **Exhibit 2** shows the impact of the bill in fiscal 2017 through 2021.

**Exhibit 2
Fiscal Impact
Fiscal 2017-2021**

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
General Fund	(\$385,262)	(\$392,967)	(\$400,827)	(\$408,843)	(\$417,020)
HEIF	(10,447)	(10,655)	(10,869)	(11,086)	(11,308)
TTF	(25,410)	(25,918)	(26,436)	(26,965)	(27,504)
<i>State</i>	(22,970)	(23,430)	(23,898)	(24,376)	(24,864)
<i>Local</i>	(2,439)	(2,488)	(2,538)	(2,589)	(2,640)
Total	(\$421,118)	(\$429,541)	(\$438,131)	(\$446,894)	(\$455,832)

This estimate is based on the average commuter benefit credits claimed in previous years, and a 2% annual growth rate. It is assumed that individuals and businesses have enough tax liability to claim the full credit, and that decreasing the seating capacity requirement for vanpools does not materially affect the amount of credits claimed. This estimate also assumes that 50% of all income tax credits are claimed against the personal income tax, with the remaining income tax credit amounts claimed against the corporate income tax.

Local Revenues: Local governments receive a portion of corporate income tax revenues (9.6% of TTF revenues) to support the construction and maintenance of local roads and other transportation facilities. Under this bill, local highway user revenues decrease by \$2,439 in fiscal 2017 and by \$2,640 in fiscal 2021, as shown in Exhibit 2.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland Department of the Environment, Maryland Department of Transportation, Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - February 29, 2016
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Analysis by: Heather N. Ruby

Direct Inquiries to:
(410) 946-5510
(301) 970-5510