

Department of Legislative Services  
 Maryland General Assembly  
 2017 Session

FISCAL AND POLICY NOTE  
 Third Reader

House Bill 822

(Delegate Kipke, *et al.*)

Ways and Means

Budget and Taxation

Income Tax - Subtraction Modification - Police Auxiliaries and Reserve  
 Volunteers

This bill increases to \$5,000 the value of the State income tax subtraction modification for qualifying police auxiliaries or reserve volunteers. The increase is phased in over three years, beginning with tax year 2017.

The bill takes effect July 1, 2017.

Fiscal Summary

**State Effect:** General fund revenues decrease by \$13,000 in FY 2018 due to additional subtraction modification claims. Future year revenue decreases reflect the estimated number of eligible taxpayers and phase-in of the subtraction modification amount. Expenditures are not affected.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Revenue	(\$13,000)	(\$16,000)	(\$20,000)	(\$20,000)	(\$20,000)
Expenditure	0	0	0	0	0
Net Effect	(\$13,000)	(\$16,000)	(\$20,000)	(\$20,000)	(\$20,000)

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

**Local Effect:** Local revenues decrease by \$9,000 in FY 2018 and by \$13,000 in FY 2022. Local expenditures are not affected.

**Small Business Effect:** None.

## Analysis

**Current Law:** The Honorable Louis L. Goldstein Volunteer Police Personnel Subtraction Modification Program allows qualifying police auxiliaries or reserve volunteers to claim a subtraction modification of \$3,500.

A police auxiliary or reserve volunteer must (1) be an active member of a bona fide Maryland police agency; (2) serve the organization in a volunteer capacity without compensation, except nominal expenses or meals; and (3) have been an active member of a bona fide Maryland police agency for at least 72 months during the last 10 calendar years by December 31 of the taxable year. The individual must also (1) qualify for active status during the taxable year under a police auxiliary or reserve volunteer program approved by the Police Training Commission in conjunction with the Maryland Association of Counties and the Maryland Municipal League that includes uniform systems for qualification, and record keeping, if the program is incorporated into the police agency's rules and regulations or (2) have maintained active status for at least 25 years under the police auxiliary or reserve volunteer program. An individual can qualify for active status if during the taxable year the individual is a member of the U.S. Armed Forces and is ordered into active military service or is a civilian member of the Merchant Marine on assignment in an area designated as a combat zone.

**Background:** Two State subtraction modifications are available for qualifying volunteers – The Honorable Louis L. Goldstein Volunteer Police Personnel Subtraction Modification Program and The Honorable Louis L. Goldstein Volunteer Fire, Rescue, and Emergency Medical Services Personnel Subtraction Modification Program. Chapters 371 and 372 of 2014 increased the value of the State income tax subtraction modification for qualifying volunteer fire, rescue, or emergency medical services personnel from \$3,500 to \$5,000, phased in over six years beginning in tax year 2014.

**State Revenues:** Additional subtraction modifications can be claimed beginning in tax year 2017. The amount that may be claimed is equal to (1) \$4,500 in tax year 2017; (2) \$4,750 in tax year 2018; and (3) \$5,000 in tax year 2019. According to the Comptroller's Office, about 275 taxpayers claimed the subtraction modification in tax year 2015. As a result, general fund revenues will decrease by \$13,000 in fiscal 2018, \$16,000 in fiscal 2019, and \$20,000 annually beginning in fiscal 2020.

**Local Revenues:** Local income tax revenues decrease by about 3% of the total net State subtraction modifications claimed. Local revenues will decrease by \$9,000 in fiscal 2018, \$11,000 in fiscal 2019, and \$13,000 annually beginning in fiscal 2020.

## Additional Information

**Prior Introductions:** None.

**Cross File:** None listed, although SB 258 (Senator Astle – Budget and Taxation) is identical.

**Information Source(s):** Comptroller's Office; Department of Legislative Services

**Fiscal Note History:** First Reader - February 15, 2017  
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