

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1302 (Delegate Glass, *et al.*)
 Ways and Means

Income Tax Credit - Cat and Dog Adoption

This bill creates a one-time tax credit against the State income tax for each animal shelter or rescue facility cat or dog adopted by an individual in the tax year. The credit may not exceed the lesser of \$100 for each animal adopted or the tax liability imposed in the year. The Comptroller’s Office must adopt regulations to implement the credit.

The bill takes effect July 1, 2017, and applies to tax year 2017 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease significantly beginning in FY 2018 as a result of tax credits claimed against the personal income tax. Under one set of assumptions, general fund revenues may decrease by \$5.5 million annually. General fund expenditures increase by \$53,000 in FY 2018 for one-time tax form changes and computer programming modifications at the Comptroller’s Office.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Revenue	(-)	(-)	(-)	(-)	(-)
GF Expenditure	\$53,000	\$0	\$0	\$0	\$0
Net Effect	(\$53,000)	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: No similar State tax credit of this type exists.

Background: An informal survey conducted by the Professional Animal Workers of Maryland, Inc., found that annually:

- 10,700 dogs and 34,900 cats are euthanized in shelters; and
- 27,700 dogs and 22,700 cats are adopted out of shelters.

State Revenues: Tax credits can be claimed beginning in tax year 2017. As a result, general fund revenues will decrease by a significant amount beginning in fiscal 2018. However, the amount of the revenue decrease depends on the number of qualifying cat and dog adoptions. *For illustrative purposes only*, assuming 30,000 dogs and 25,000 cats are adopted and that all individuals have a tax liability of at least \$100, general fund revenues will decrease by \$5.5 million annually.

State Expenditures: The Comptroller's Office reports that it will incur a one-time expenditure increase of \$53,000 in fiscal 2018 to add the tax credit to the personal income tax return. This includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Additional Information

Prior Introductions: Similar bills, HB 1335 of 2016, HB 1358 of 2014, HB 371 of 2013, and HB 882 of 2012, received a hearing in the House Ways and Means Committee, but no further action was taken. A similar bill, HB 418 of 2015, received an unfavorable report from the House Ways and Means Committee. Its cross file, SB 267 of 2015, received an unfavorable report from the Senate Budget and Taxation Committee.

Cross File: None.

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

Fiscal Note History: First Reader - March 6, 2017
mm/jrb

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