

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 1104 (Senator Edwards)
 Budget and Taxation

Income Tax Credit - Volunteer Fire, Rescue, and Emergency Services Personnel

This bill creates a tax credit against the State income tax for an individual who is a volunteer fire, rescue, or emergency services personnel of the United States, the State, or a local jurisdiction. The value of the credit is equal to \$350, not to exceed the tax liability imposed in the year. Any unused amount of the credit may not be carried forward to any other tax year.

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

Fiscal Summary

State Effect: General fund revenues decrease by \$3.2 million in FY 2018 due to credits claimed against the personal income tax. Future year estimates reflect a 2% annual increase in eligible taxpayers. General fund expenditures increase by \$32,000 in FY 2018 due to one-time implementation costs at the Comptroller’s Office.

(\$ in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Revenue	(\$3.2)	(\$3.2)	(\$3.3)	(\$3.4)	(\$3.4)
GF Expenditure	\$0.0	\$0	\$0	\$0	\$0
Net Effect	(\$3.2)	(\$3.2)	(\$3.3)	(\$3.4)	(\$3.4)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: In order to qualify, the individual must (1) serve in a volunteer capacity without compensation, except for nominal expenses or meals and (2) qualify for active status during the tax year under a length of service award program or points system that requires a minimum of 50 points per year for active status and the points are earned in at least 2 different categories. The bill specifies that the tax credit can be claimed in addition to the existing State income tax subtraction modification for qualifying fire, rescue, and emergency medical services personnel.

Current Law/Background: The Honorable Louis L. Goldstein Volunteer Fire, Rescue, and Emergency Medical Services Personnel Subtraction Modification Program allows a subtraction modification for individuals who serve in a volunteer capacity and qualify for active duty service during the tax year. Individuals can qualify if they are (1) a member of a Maryland fire, rescue, or emergency medical services organization; (2) a member of an auxiliary organization of a Maryland fire, rescue, or emergency medical services organization; (3) a member of the Maryland Defense Force; (4) a member of the U.S. Coast Guard Auxiliary; or (5) a member of the Maryland Civil Air Patrol.

Chapter 267 of 2003 allowed an individual to claim the subtraction modification if the individual did not qualify due to being called into service on active duty in the U.S. Armed Forces or was a qualifying civilian or member of the Merchant Marines in support of the U.S. Armed Forces in a designated combat zone.

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. The amount of the subtraction is equal to (1) \$3,750 in tax year 2014; (2) \$4,000 in tax year 2015; (3) \$4,250 in tax year 2016; (4) \$4,500 in tax year 2017; (5) \$4,750 in tax year 2018; and (6) \$5,000 beginning in tax year 2019.

State Revenues: Tax credits may be claimed beginning in tax year 2017. Based on the number of individuals who claim the existing subtraction modification and the requirements specified by the bill, the Comptroller's Office estimates that about 8,000 taxpayers would have been eligible to claim the proposed tax credit in tax year 2015. As a result, general fund revenues will decrease by an estimated \$3.2 million in fiscal 2018.

State Expenditures: The Comptroller's Office reports that it will incur a one-time expenditure of \$32,000 in fiscal 2018 to add the new tax credit. This amount includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Additional Information

Prior Introductions: None.

Cross File: HB 1084 (Delegate Buckel, *et al.*) - Ways and Means.

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

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md/jrb

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