

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 161 (The President, *et al.*) (By Request - Administration)
 Budget and Taxation

**Income Tax - Subtraction Modification - Volunteer Fire, Rescue, and Emergency
 Medical Services Members**

This Administration bill increases to \$10,000 the value of the State income tax subtraction modification for qualifying volunteer fire, rescue, or emergency medical services personnel. The increase in the maximum value is phased in over two years beginning in tax year 2021. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: General fund revenues decrease by \$842,000 in FY 2022 due to additional subtraction modifications claimed against the personal income tax. Future year revenue decreases reflect the estimated number of eligible taxpayers and the phase-in of the subtraction modification as specified by the bill. Expenditures are not affected.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	\$0	\$0	(\$842,000)	(\$1,717,000)	(\$1,751,000)
Expenditure	0	0	0	0	0
Net Effect	\$0	\$0	(\$842,000)	(\$1,717,000)	(\$1,751,000)

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

Local Effect: Local revenues decrease by \$549,000 in FY 2022 and by \$1.1 million in FY 2024. Local expenditures are not affected.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

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 meet specified requirements 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.

The individual must also (1) have been an active member of a qualifying organization for at least 36 months during the last 10 calendar years and (2) qualify for active status during the tax year or have maintained active status for at least 25 years under a volunteer fire, rescue, or emergency medical services personnel or auxiliary Length of Service Award Program (LOSAP). In addition, Chapter 267 of 2003 allowed an individual to claim the subtraction modification if the individual did not qualify for active status 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.

Legislation enacted in the 2014 and 2018 sessions doubled to \$7,000 the value of the State income tax subtraction, phased in over nine years beginning in tax year 2014. The amount of the subtraction is equal to (1) \$5,000 in tax year 2019; (2) \$6,000 in tax year 2020; (3) \$6,500 in tax year 2021; and (4) \$7,000 beginning in tax year 2022.

State Revenues: The bill increases the value of the subtraction modification to (1) \$8,000 in tax year 2021 and (2) \$10,000 beginning in tax year 2022. According to the Comptroller's Office, about 10,700 taxpayers claimed the subtraction modification in tax year 2016. As a result, general fund revenues will decrease by an estimated \$842,000 in fiscal 2022. **Exhibit 1** shows the estimated impact of the bill on State and local revenues.

Exhibit 1 State and Local Revenue Impacts Fiscal 2020-2024

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
State	\$0	\$0	(\$842,000)	(\$1,717,000)	(\$1,751,000)
Local	0	0	(549,000)	(1,121,000)	(1,143,000)
Total	\$0	\$0	(\$1,391,000)	(\$2,838,000)	(\$2,894,000)

Local Revenues: Local income tax revenues will decrease as a result of additional subtraction modifications claimed against the personal income tax. Local revenues will decrease by \$549,000 in fiscal 2022 and by \$1.1 million in fiscal 2024, as shown in Exhibit 1.

Additional Information

Prior Introductions: None.

Cross File: HB 231 (The Speaker, *et al.*) (By Request - Administration) - Ways and Means.

Information Source(s): Comptroller's Office; Department of Public Safety and Correctional Services; Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2019
sb/hlb

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: **Income Tax - Subtraction Modification - Volunteer Fire, Rescue, and
Emergency Medical Services Members**

BILL NUMBER: SB 161 & HB 231

PREPARED BY: Governor's Legislative Office

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS