

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 454

(Delegate Rosenberg)

Ways and Means and Economic Matters

Budget and Taxation

Driver’s Licenses and Vehicle Registrations – Distribution of Tax Payments –
 Tax Clinics for Low–Income Marylanders

This bill establishes a special fund and related processes to provide supplemental grant funding for the University of Maryland School of Law, the University of Baltimore School of Law, and the Maryland Volunteer Lawyers Service (MVLS) to operate tax clinics for low-income State residents. Each year, \$250,000 of undisputed taxes collected by the Motor Vehicle Administration (MVA) in specified circumstances must be transferred to the special fund and then distributed to the two law schools (40% each) and MVLS (20%). **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: General fund revenues decrease by \$250,000 annually beginning in FY 2021. Special fund revenues and expenditures increase correspondingly as funds are received and distributed. Higher education revenues and expenditures increase by \$200,000 annually as a portion of the funds are received and used by the law schools.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Revenue	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
SF Revenue	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Higher Ed Rev.	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
SF Expenditure	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Higher Ed Exp.	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Net Effect	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)

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: The Tax Clinics for Low-Income Marylanders Fund (TCLIM) is established as a special, nonlapsing fund in the Maryland Higher Education Commission (MHEC). The purpose of the fund is to provide grants to the University of Maryland School of Law, the University of Baltimore School of Law, and MVLS to operate tax clinics for low-income Maryland residents. Money expended from the fund for this purpose is supplemental to and is not intended to take the place of funding that otherwise would be appropriated for tax clinics. Expenditures from the fund may be made only in accordance with the State budget. TCLIM consists of revenue distributed to it under the bill as well as any money appropriated in the State budget or from any other source.

Current Law/Background: MVA may not renew or transfer the registration of any vehicle if the applicant has not paid all undisputed taxes and unemployment insurance contributions payable to the Comptroller or the Secretary of Labor or provided for such payment in an acceptable manner to the unit responsible for the collection.

Both the University of Maryland and the University of Baltimore schools of law operate low-income tax clinics funded by grants from the Internal Revenue Service (IRS). The clinics generally focus on issues related to federal, not State, taxes. MVLS is a nonprofit provider of pro bono legal services in the State and offers a variety of legal services, including a low-income taxpayer clinic that assists with IRS tax issues.

State Fiscal Effect: Under the bill, \$250,000 annually in undisputed tax revenues collected by MVA are diverted to TCLIM beginning in fiscal 2021. MVA and the Comptroller advise that the required distributions can be made with existing budgeted resources. Accordingly, general fund revenues decrease by \$250,000 annually beginning in fiscal 2021. Special fund revenues and expenditures for TCLIM increase correspondingly as funds are received and then distributed to the two law schools and MVLS. MHEC advises that it requires additional staff to administer the program; the Department of Legislative Services disagrees – although MHEC’s staff are fully subscribed, the funding can be distributed with existing resources.

Higher education revenues and expenditures for the two law schools increase by \$200,000 annually (\$100,000 each) beginning in fiscal 2021 from distributions made by TCLIM and to provide supplemental funding for existing tax clinics offered by the schools. The schools advise that they intend to use the funds to provide services for State tax returns, which existing federal funds do not allow. Use of the funds may include the hiring of full-time staff at one or both institutions, but not necessarily so.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Maryland Higher Education Commission; Maryland Department of Labor; Maryland Department of Transportation; Maryland Volunteer Lawyers Service; Department of Legislative Services

Fiscal Note History: First Reader - February 26, 2020
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