SB 108

Department of Legislative Services

Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 108 (Senator Ellis)
Budget and Taxation

Income Tax - Credit for Qualified Commuters

This bill creates a refundable tax credit against the State income tax for an individual who incurs qualified commuting costs during the taxable year. The Maryland Department of Transportation (MDOT) is required to administer the credit and adopt regulations implementing the tax credit application and approval processes. **The bill takes effect July 1, 2020, and applies beginning with tax year 2020. The bill terminates December 31, 2030.**

Fiscal Summary

State Effect: General fund revenues decrease by $357.4 million in FY 2021 due to credits claimed against the personal income tax. Future year revenue estimates reflect the projected amount of eligible expenses. General fund and Transportation Trust Fund (TTF) expenditures increase significantly beginning in FY 2021 due to administrative costs at the Comptroller's Office and MDOT.

($ in millions)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Revenue	($357.4)	($363.2)	($369.0)	($375.3)	($383.5)
GF Expenditure	-	-	-	-	-
SF Expenditure	-	-	-	-	-
Net Effect	($357.4)	($363.2)	($369.0)	($375.3)	($383.5)

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: An individual who resides within a five-mile radius of a commuter rail station does not qualify for the tax credit. In addition, only those individuals who satisfy criteria related to minimum and maximum commuting frequency and miles traveled can claim the tax credit. The value of the credit is calculated based on a percentage (10%) of the State motor fuel tax imposed and the total qualified commuting miles during the taxable year.

By January 31 of each year following the taxable year in which an individual incurs the commuting costs, the individual must submit an application to MDOT for the credit and include specified information. MDOT must certify the amount of the credit within 45 days of receiving the application and report annually to the Comptroller's Office and General Assembly on the amount of tax credits certified.

Current Law: No similar State income tax credit exists.

Commuting expenses incurred while traveling to an individual's primary place of employment are generally not deductible under federal and State law.

Background: According to the U.S. Census Bureau, a total of about 3.0 million Marylanders commuted to work in calendar 2017. About three-quarters of these workers drove alone with the remaining workers taking alternative transportation such as carpools and public transportation. Marylanders have an average one-way commute of about 33 minutes, which is the second highest in the nation.

MARC commuter train service operates 42 stations across three different lines that serve several Maryland counties; Washington, DC; and Martinsburg, West Virginia: (1) the Brunswick Line; (2) the Camden Line; and (3) the Penn Line. MARC service is provided by running State-owned MARC trains on existing Amtrak railways owned by CSX Transportation (CSX).

As of July 1, 2019, the per gallon motor fuel tax rate is equal to 36.7 cents (gasoline and clean-burning fuel), 37.45 cents (special fuel/diesel), and 7.0 cents (aviation and turbine fuel).

State Revenues: Tax credits may be claimed beginning in tax year 2020. As a result, general fund revenues decrease by an estimated $357.4 million in fiscal 2021. Future year revenue losses reflect a constant number of commuters and the projected motor fuel tax rate imposed on gasoline in the taxable year.

Exhibit 1 shows the projected State revenue loss resulting from the bill.

Exhibit 1
Projected State Revenue Impact
($ in Millions)

FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
($357.4)	($363.2)	($369.0)	($375.3)	($383.5)

State Expenditures: General fund and TTF expenditures will increase significantly beginning in fiscal 2021 due to implementation costs at the Comptroller's Office and MDOT, as discussed below.

MDOT

An individual must submit an application by January 31 of each year, and MDOT must certify the amount of the credit within 45 days of receiving the application. MDOT must also report to the Comptroller by March 25 of each year the total amount of tax credits certified in the year. As a result, TTF expenditures will increase significantly beginning in fiscal 2021 as a result of incurring programming expenses and hiring additional staff to process, certify, and report tax credits.

Comptroller's Office

The Comptroller's Office advises that it will incur additional costs beginning in fiscal 2021 as a result of hiring additional revenue examiners and incurring programming expenses, in order to add the tax credit to the personal income tax form.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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