

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 241 (Senator Peters)
 Budget and Taxation

Income Tax Checkoff - Maryland Veterans Trust Fund

This bill establishes the Maryland Veterans Trust Fund (MVTF) checkoff on the individual income tax return form. After the Comptroller deducts administrative expenses, the contributions are credited to the fund and distributed by the Maryland Department of Veterans Affairs (MDVA). **The bill takes effect July 1, 2021, and applies to tax year 2021 and beyond.**

Fiscal Summary

State Effect: General fund expenditures increase by \$60,000 in FY 2022 due to one-time computer programming expenses at the Comptroller’s Office. While special fund revenues to MVTF increase beginning in FY 2022, total special fund revenues to other funds receiving contributions through tax checkoffs may decrease.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	-	-	-	-	-
GF Expenditure	\$60,000	\$0	\$0	\$0	\$0
Net Effect	(\$60,000)	\$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

Bill Summary: The Comptroller must include a checkoff designated as the Maryland Veterans Trust Fund Contribution on the individual income tax return form. The checkoff

must state that the individual, or each spouse in the case of a joint return, may contribute to the fund an amount designated by the individual. The individual deducts the amount of the contribution from any refund to which the individual is entitled or, if the individual is not entitled to a refund, the individual adds the amount of the contribution to the income tax paid with the return. The Comptroller must include, with the individual income tax return package, a description of the purposes of MVTF. From the contributions collected, the Comptroller distributes an amount necessary to administer the checkoff system to an administrative cost account and distributes the remainder to MVTF.

Current Law: The Chesapeake Bay and Endangered Species Fund, Maryland Cancer Fund, Developmental Disabilities Services and Support Fund, and Fair Campaign Financing Fund are the four current checkoffs on the personal income tax form. In fiscal 2020, taxpayers contributed a total of \$1.7 million via income tax checkoffs.

Maryland Veterans Trust Fund

Chapter 742 of 2009 established MVTF, which consists of gifts, donations, and grants received by MDVA. The fund also receives (1) 10% of the money that remains in the State Lottery Fund from the proceeds of ticket sales from instant ticket lottery machines by specified veterans' organizations and (2) designated fees from certain special registration license plates.

Money in the fund may be used to make grants and loans to veterans and their families and support public and private programs that serve veterans in the State. Money in the fund may also be used to invest in general obligations of the State or other securities and pay for the cost of administering the fund. Money expended from the fund is supplemental to and not intended to take the place of funding otherwise appropriated to MDVA.

State Revenues: Special fund revenues to MVTF increase, but the amount of the donations cannot be accurately estimated. Overall special fund revenues, however, may be unaffected or decrease. Contributions to existing checkoffs have typically decreased in the fiscal year in which a new checkoff is established. Accordingly, donations to this checkoff will likely divert funds from the four existing checkoffs.

State Expenditures: The Comptroller's Office reports that it will incur a one-time general fund expenditure increase of \$60,000 in fiscal 2022 to add the checkoff to personal income tax forms. This includes data processing changes to the income tax return processing and imaging systems and systems testing.

MDVA can process the additional donations and financial assistance with existing resources.

Additional Information

Prior Introductions: SB 203 of 2020 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, HB 389, received a favorable report from the House Ways and Means Committee, passed the House, and was referred to the Senate Budget and Taxation Committee, but no further action was taken. HB 684 of 2019 received a favorable with amendments report from the House Ways and Means Committee, passed the House, and received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. HB 1056 of 2018 received a favorable with amendments report from the House Ways and Means Committee, passed the House, and was referred to the Senate Rules Committee, but no further action was taken. Similar bills were heard in the 2015, 2016, and 2017 sessions.

Designated Cross File: HB 358 (Delegate Wilson) - Ways and Means.

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

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