

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 622

(Senator Edwards)

Budget and Taxation

Ways and Means

Income Tax – Subtraction Modification – Donations to Diaper Banks and Other Charitable Entities

This bill creates a subtraction modification against the State income tax for a person who makes a qualified donation to a diaper bank or a charitable entity registered with the Comptroller. The maximum value of the subtraction modification is equal to \$1,000 of the qualified donation made by a person. The Comptroller must adopt regulations implementing the bill. **The bill takes effect July 1, 2021, and applies to tax year 2021 through 2023. The bill terminates June 30, 2024.**

Fiscal Summary

State Effect: General fund revenues decrease beginning in FY 2022 due to subtraction modifications claimed against the income tax. The Comptroller’s Office estimates that revenues will decrease by \$50,000 annually in FY 2022 through 2024. Transportation Trust Fund (TTF) and Higher Education Investment Fund (HEIF) revenues decrease beginning in FY 2022 to the extent subtraction modifications are claimed against the corporate income tax. General fund expenditures increase by \$60,000 in FY 2022 due to one-time implementation costs at the Comptroller’s Office.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	(\$50,000)	(\$50,000)	(\$50,000)	\$0	\$0
GF Expenditure	\$60,000	\$0	\$0	\$0	\$0
Net Effect	(\$110,000)	(\$50,000)	(\$50,000)	\$0	\$0

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

Local Effect: Local revenues decrease by \$32,000 annually in FY 2022 through 2024 due to subtraction modifications claimed against the personal and corporate income tax. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Bill Summary: A diaper bank is a nonprofit organization located in the State that distributes free of charge diapers or hygiene products through schools, health care facilities, government agencies, or other nonprofit agencies for eventual free distribution to individuals.

A qualified charitable entity is a diaper bank, homeless shelter, domestic violence shelter, religious organization, or other charitable organization which has registered with the Comptroller as a qualified distributor of diapers or hygiene products.

A donation is an irrevocable gift of disposable diapers, other hygiene products for infants or children, or feminine personal hygiene product or cash donated specifically for the purchase of these products.

The Comptroller must report by January 1, 2024, specified information about the subtraction modification.

Current Law: Under the federal and State income tax, individuals and businesses may deduct qualified charitable donations.

State Revenues: The bill creates, in tax year 2021 through 2023, a subtraction modification against the State income tax for a person who makes a qualified donation to a diaper bank and other charitable entities. As a result, State revenues will decrease beginning in fiscal 2022. Based on the requirements of the bill, the Comptroller's Office estimates that general fund revenues will decrease by about \$50,000 annually in fiscal 2022 through 2024. TTF and HEIF revenues will decrease to the extent subtraction modifications are claimed against the corporate income tax.

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 subtraction modification to the income tax forms. This includes data processing changes to the income tax return processing and imaging systems and systems testing.

Local Revenues: Based on the assumptions above, local income tax revenues will decrease by about \$32,000 annually in fiscal 2022 through 2024. Local highway user revenues will decrease to the extent subtraction modifications are claimed against the corporate income tax.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 711 (Delegate D. Jones) - Ways and Means.

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

Fiscal Note History: First Reader - February 9, 2021
rh/hlb Third Reader - March 31, 2021
Revised - Amendment(s) - March 31, 2021
Enrolled - May 10, 2021
Revised - Amendment(s) - May 10, 2021

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