

Department of Legislative Services  
 Maryland General Assembly  
 2021 Session

FISCAL AND POLICY NOTE  
 First Reader

Senate Bill 872 (Senator Jackson)  
 Budget and Taxation

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

This bill increases to \$7,000 the value of the State income tax subtraction modification for qualifying volunteer fire, rescue, or emergency medical services personnel. **The bill takes effect July 1, 2021, and applies to tax year 2021.**

Fiscal Summary

**State Effect:** General fund revenues decrease by \$255,000 in FY 2022 due to additional subtraction modifications claimed against the personal income tax. Expenditures are not affected.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	(\$255,000)	\$0	\$0	\$0	\$0
Expenditure	0	0	0	0	0
Net Effect	(\$255,000)	\$0	\$0	\$0	\$0

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

**Local Effect:** Local revenues decrease by \$166,000 in FY 2022. Local expenditures are not affected.

**Small Business Effect:** None.

Analysis

**Current Law:** 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). An individual qualifies for active status under LOSAP or a similar plan by earning a minimum of 50 points in the year in at least two different categories. In addition, legislation enacted in 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/Local Revenues:** The bill increases the value of the subtraction modification to \$7,000 in tax year 2021. 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 \$255,000 in fiscal 2022.

This estimate assumes a similar number of taxpayers will claim the subtraction modification in tax year 2021. To the extent fewer taxpayer qualify, the revenue decrease will be less than estimated.

Local income tax revenues will decrease as a result of additional subtraction modifications claimed against the personal income tax. Local revenues will decrease by \$166,000 in fiscal 2022.

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## **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - March 1, 2021  
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