

Department of Legislative Services
2021 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 18 (Senator Hough, *et al.*)
Budget and Taxation

Income Tax – Subtraction Modification – School Supplies for Home Instruction and Virtual Learning Programs

This bill creates a subtraction modification against the State income tax for up to \$250 of the school supplies purchased for use by a K-12 student participating in a (1) home instruction program or (2) virtual learning program conducted in response to the COVID-19 public health emergency. In order to qualify, the school supplies must be purchased by the parent or guardian of the student. **The bill takes effect July 1, 2021, and applies to tax year 2021.**

Fiscal Summary

State Effect: General fund revenues may decrease by \$4.6 million in FY 2022 due to subtraction modifications claimed against the State income tax. General fund expenditures increase by \$60,000 in FY 2022 and FY 2023 due to computer programming expenses at the Comptroller’s Office.

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	(\$4.6)	\$0	\$0	\$0	\$0
GF Expenditure	\$0.1	\$0.1	\$0	\$0	\$0
Net Effect	(\$4.7)	(\$0.1)	\$0.0	\$0.0	\$0.0

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

Local Effect: Local income tax revenues decrease by \$3.0 million in FY 2022. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: No similar State income tax subtraction modification exists.

State Revenues: Subtraction modifications may be claimed in tax year 2021. As a result, fiscal 2022 revenues may decrease by \$4.6 million.

This estimate is based on the following facts and assumptions:

- based on U.S. Census Bureau data, an estimated 575,000 Maryland households have a child of K-12 age; and
- about two-thirds of these households qualify for and claim the subtraction modification on a taxable return.

To the extent fewer eligible households claim the subtraction modification, revenue losses will be less than estimated.

State Expenditures: The Comptroller's Office reports that it will incur a one-time expenditure increase of \$60,000 in fiscal 2022 and 2023 to add and remove the subtraction modification to the personal income tax return. This includes data processing changes to the SMART income tax return processing and imaging systems and system testing.

Local Revenues: Local income tax revenues decrease as a result of subtraction modifications claimed against the personal income tax. Local revenues decrease by \$3.0 million in fiscal 2022.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office; Maryland State Department of Education; U.S. Census Bureau; Department of Legislative Services

Fiscal Note History: First Reader - January 19, 2021
rh/hlb

Analysis by: Robert J. Rehrmann

Direct Inquiries to:
(410) 946-5510
(301) 970-5510