

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 354

(Senator Gile, *et al.*)

Budget and Taxation

Ways and Means

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 MVTF. **The bill takes effect July 1, 2023, and applies to tax year 2025 and beyond.**

Fiscal Summary

State Effect: No effect in FY 2024 or 2025. General fund expenditures for the Comptroller’s Office increase by \$79,000 in FY 2026 only. General fund expenditures for the Maryland Department of Veterans Affairs (MDVA) increase by \$71,600 in FY 2026; future years reflect annualization and ongoing costs. Nonbudgeted revenues to MVTF increase by an indeterminate amount beginning in FY 2026. Special fund revenues to other funds receiving contributions through income tax checkoffs may decrease beginning in FY 2026 (not shown below).

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
NonBud Rev.	\$0	\$0	-	-	-
GF Expenditure	\$0	\$0	\$150,600	\$90,500	\$95,300
Net Effect	\$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.

Maryland Veterans Trust Fund

MVTF, established under § 9-913 of the State Government Article, is maintained by the Maryland Veterans Trust and consists of gifts and grants received by the trust, specified proceeds from the sale of tickets from instant ticket lottery machines by specified veterans' organizations, specified donations from video lottery facility players, designated fees from certain special registration license plates, and specified civil penalty revenues.

Money in the fund may be used to provide grants or loans to veterans and their families, public and private programs that serve veterans and their families, or any other programs that the trust considers to be within the purposes for which the trust is established. Money in the fund may also be invested in accordance with specified provisions and pay the costs of administering the fund through distribution to an administrative cost account in MDVA.

Money expended from the fund is supplemental to and not intended to take the place of funding otherwise appropriated to MDVA.

State Revenues: Nonbudgeted revenues to MVTF increase beginning in fiscal 2026 to the extent the bill generates additional donations to the fund. In addition, revenues to other special funds that benefit from income tax checkoffs may decrease to the extent donations are shifted to MVTF. However, any such effect cannot be reliably estimated.

State Expenditures:

Maryland Department of Veterans Affairs

As discussed above, MVTF is maintained by the Maryland Veterans Trust, which is staffed by MDVA. MDVA advises that, under the bill, an additional grants specialist is needed in order to handle increased grant activity resulting from increased MVTF revenues generated by the checkoff.

Thus, general fund expenditures for MDVA increase by \$71,598 in fiscal 2026. This estimate reflects the cost of hiring one full-time grants specialist to assist with administering additional MVTF funds generated as a result of the bill. In addition, this estimate assumes that the position begins October 1, 2025, in advance of the filing period for tax year 2025 individual income tax returns. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1
Salary and Fringe Benefits	\$64,173
Other Operating Expenses	<u>7,425</u>
Total FY 2026 State Expenditures	\$71,598

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Comptroller's Office

General fund expenditures for the Comptroller's Office increase by an estimated \$79,000 in fiscal 2026 only for one-time changes to the Comptroller's tax systems.

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See SB 241 and HB 358 of 2021 and SB 203 and HB 389 of 2020.

Designated Cross File: HB 316 (Delegate Bagnall, *et al.*) - Ways and Means.

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

Fiscal Note History:
rh/hlb

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