

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
 Third Reader

Senate Bill 822

(Senator Kramer, *et al.*)

Budget and Taxation

Ways and Means

Income Tax - Subtraction Modification - State Law Enforcement Officers

This bill expands eligibility for the existing subtraction modification for law enforcement officers who reside in political subdivisions with specified crime rates to include State law enforcement officers who reside in these qualifying political subdivisions. **The bill takes effect July 1, 2024, and applies to tax year 2024 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by \$203,000 annually beginning in FY 2025, as discussed below. Expenditures are not affected.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	(\$203,000)	(\$203,000)	(\$203,000)	(\$203,000)	(\$203,000)
Expenditure	0	0	0	0	0
Net Effect	(\$203,000)	(\$203,000)	(\$203,000)	(\$203,000)	(\$203,000)

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

Local Effect: Local revenues decrease by \$132,000 annually beginning in FY 2025. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Chapter 519 of 2016 established an income tax subtraction modification of up to \$5,000 of income earned by a law enforcement officer if (1) the officer resides in the political subdivision in which the officer is employed and (2) the crime rate in the political subdivision exceeds the State’s crime rate. Every three years, the Maryland Police

Training and Standards Commission must certify to the Comptroller the political subdivisions in which the crime rate exceeds the State's crime rate.

Subsequent legislation enacted in 2019 and 2020 extended eligibility to law enforcement officers of the Maryland Transportation Authority Police, the Maryland-National Capital Park Police, and the Washington Suburban Sanitary Commission Police Force who reside in qualifying political subdivisions.

Federal and most State law enforcement officers do not qualify for the subtraction modification.

State Revenues: General fund revenues decrease by an estimated \$203,000 annually beginning in fiscal 2025 due to additional subtraction modifications claimed against the personal income tax. This estimate assumes a stable number of claimants and is based on Maryland police employee data published by the Federal Bureau of Investigation, current qualifying political subdivisions, and claims for the existing subtraction modification in recent tax years.

Local Revenues: Local income tax revenues decrease by an estimated \$132,000 annually beginning in fiscal 2025 due to additional subtraction modifications claimed against the personal income tax.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 70 of 2023; SB 137 of 2022; and SB 176 of 2021.

Designated Cross File: HB 1467 (Delegate Fraser-Hidalgo) - Rules and Executive Nominations.

Information Source(s): Comptroller's Office; Department of Public Safety and Correctional Services; Federal Bureau of Investigation; Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2024
rh/hlb Third Reader - March 18, 2024

Analysis by: Elizabeth J. Allison

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