

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 58 (Senator Brooks)
 Budget and Taxation

Income Tax - Senior Credit - Alterations

This bill expands eligibility for and increases the value of the senior tax credit as it applies to joint filers, surviving spouses, and heads of household. Specifically, the bill (1) increases the applicable federal adjusted gross income (FAGI) threshold for joint filers, surviving spouses, and heads of household from \$150,000 to \$200,000 and (2) increases the maximum value of the credit for joint filers (if both spouses filing jointly are at least age 65), surviving spouses, and heads of household from \$1,750 to \$2,000. For a tax year in which the September general fund estimate issued by the Board of Revenue Estimates (BRE) for the current fiscal year is more than 7.5% below the March general fund estimate issued in the same year, the value of the tax credit for qualifying joint filers (if both spouses filing jointly are at least age 65), surviving spouses, and heads of households with FAGI of at least \$100,000 increases from \$875 to \$1,000. **The bill takes effect July 1, 2024, and applies to tax year 2024 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by an estimated \$77.1 million in FY 2025, as discussed below. Future years reflect projected growth in eligible tax credits. The Comptroller’s Office can implement the bill’s changes with existing budgeted resources.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	(\$77.1)	(\$79.8)	(\$82.6)	(\$85.5)	(\$88.5)
Expenditure	0	0	0	0	0
Net Effect	(\$77.1)	(\$79.8)	(\$82.6)	(\$85.5)	(\$88.5)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapters 3 and 4 of 2022 established a nonrefundable tax credit against the State income tax, beginning in tax year 2022, for a resident who is at least age 65 and whose FAGI does not exceed \$100,000 (\$150,000 if filing jointly or as a surviving spouse or head of household). The amount of the tax credit is equal to (1) \$1,000 or (2) \$1,750 for surviving spouses, heads of household, and joint filers if both spouses are at least age 65.

For a tax year in which the September general fund estimate issued by BRE for the current fiscal year is more than 7.5% below the March general fund estimate issued in the same year, the value of the tax credit is reduced for specified taxpayers. Specifically, the value of the credit is reduced from \$1,750 to \$875 for qualifying surviving spouses, heads of household, and joint filers (if both spouses are at least age 65) whose FAGI is at least \$100,000 but not more than \$150,000; for all other qualifying taxpayers whose FAGI is at least \$50,000 but not more than \$100,000, the value of the credit is reduced from \$1,000 to \$500.

Exhibit 1 shows the eligibility thresholds and maximum values of the credit under current law and under the bill. As noted below, with respect to joint filers, the maximum credit values shown (under “Joint Filers, Surviving Spouses, and Heads of Household”) reflect the maximum allowable credit if both spouses filing jointly are at least age 65; if only one spouse filing jointly is at least age 65, the maximum value of the credit is equal to the maximum value of the credit for all other filers.

Exhibit 1 Maximum Values of the Senior Tax Credit Current Law vs. the Bill

Under Current Law

Joint Filers, Surviving Spouses, and Heads of Household		All Other Filers	
<u>FAGI</u>	<u>Maximum Credit Value¹</u>	<u>FAGI</u>	<u>Maximum Credit Value</u>
Less than \$100,000	\$1,750	Less than \$50,000	\$1,000
At least \$100,000 but not more than \$150,000	\$1,750 (* \$875)	At least \$50,000 but not more than \$100,000	\$1,000 (* \$500)
More than \$150,000	\$0	More than \$100,000	\$0

Under the Bill

Joint Filers, Surviving Spouses, and Heads of Household		All Other Filers	
<u>FAGI</u>	<u>Maximum Credit Value²</u>	<u>FAGI</u>	<u>Maximum Credit Value</u>
Less than \$100,000	\$2,000	Less than \$50,000	\$1,000
At least \$100,000 but not more than \$200,000	\$2,000 (* \$1,000)	At least \$50,000 but not more than \$100,000	\$1,000 (* \$500)
More than \$200,000	\$0	More than \$100,000	\$0

FAGI: federal adjusted gross income
BRE: Board of Revenue Estimates

¹ For joint filers, the maximum credit values shown apply only if both spouses filing jointly are at least age 65. If only one spouse filing jointly is at least age 65, the maximum value of the credit is equal to \$1,000 (\$500 for a tax year in which the September general fund estimate issued by BRE for the current fiscal year is more than 7.5% below the March general fund estimate issued in the same year, if the taxpayer’s FAGI is at least \$100,000 but not more than \$150,000.)

² For joint filers, the maximum credit values shown apply only if both spouses filing jointly are at least age 65. If only one spouse filing jointly is at least age 65, the maximum value of the credit is equal to \$1,000 (\$500 for a tax year in which the September general fund estimate issued by BRE for the current fiscal year is more than 7.5% below the March general fund estimate issued in the same year, if the taxpayer’s FAGI is at least \$100,000 but not more than \$200,000.)

* Reduced maximum credit value for a tax year in which the September general fund estimate issued by BRE for the current fiscal year is more than 7.5% below the previous March general fund estimate for the current fiscal year.

Note: In the second table (“Under the Bill”), values altered under the bill are indicated in italics.

Source: Department of Legislative Services

State Revenues: As discussed above, the bill expands eligibility for and increases the value of the senior tax credit as it applies to specified filers. Thus, the bill results in an increase in the number and amount of tax credits claimed against the personal income tax.

Based on a preliminary analysis of tax year 2022 income tax return data, the Comptroller’s Office estimates that, were the bill’s changes in effect for tax year 2022, approximately 77,000 income tax returns would have been affected, resulting in a \$72.0 million reduction in personal income tax liability. Thus, accounting for projected income growth, general fund revenues decrease by an estimated \$77.1 million in

fiscal 2025 and by \$88.5 million in fiscal 2029 due to additional credits claimed against the personal income tax.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

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

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