

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1360 (Delegate Rosapepe)
Ways and Means

Contributions to Employee Stock Ownership Plans

This bill creates an addition modification for the corporate income tax of the amount allowed as a deduction for employer contributions to a trust which is part of an employee stock ownership plan (ESOP). If employees have input as to how the shares in the ESOP are to be voted, the addition does not have to be made.

This bill is effective October 1, 1996, and applies to all taxable years beginning after December 31, 1995.

Fiscal Summary

State Effect: Indeterminate general and Transportation Trust Fund (TTF) revenue increase. Expenditures would not be affected.

Local Effect: Indeterminate local revenue increase through local governments' share of Transportation Trust Fund distributions. Expenditures would not be affected.

Fiscal Analysis

State Revenues: Corporate income tax revenues would increase an indeterminate amount. The increase depends on the amount of contributions to ESOPs which are deducted for federal income tax purposes, the number of plans which do not allow employees a voice in how the stock is voted, the taxable income of corporations aside from the addition modification, and the extent to which this bill would provide an incentive for employers to provide employees input as to how the stock should be voted. None of this can be reliably determined at this time.

Assuming all affected corporations have some taxable income, the revenue increase would be

7% of the addition modification. The general fund would receive 75% of the revenue increase, and 25% would be credited to the TTF.

For illustrative purposes, each \$1 million of additions under this bill would result in \$70,000 of revenue. Of this amount, \$52,500 would be credited to the general fund and \$17,500 would be credited to the TTF.

Local Revenues: Local revenues would increase through distributions to local governments from the TTF. About 4.3% of corporate income tax revenues are distributed to local governments. For each \$1 million of additions under this bill, local revenues would increase by about \$3,000.

Information Source(s): Office of the Comptroller (Revenue Administration Division), Department of Fiscal Services

Fiscal Note History: First Reader - March 13, 1996

ncs

Analysis by: David F. Roose

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710