Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 80 (Senator Sfikas)
Budget and Taxation

Homeowners' Property Tax Credit - Computation - Medical Expenses

This bill allows taxpayers to subtract medical expenses from gross income for purposes of the homeowner's property tax credit. Eligible medical expenses are those which exceed 6.5% of gross income and are not reimbursed by public or private health insurance or any other health benefit arrangement.

This bill is effective October 1, 1996 and applies to all tax years beginning after June 30, 1997.

Fiscal Summary

State Effect: General fund expenditures could increase by an estimated $2 million in FY 1998. In the out-years, this figure will grow by an indeterminate amount depending on the increase in homeowner's eligible for the credit and increases in medical costs.

Local Effect: None. Since the State reimburses the counties and Baltimore City for these credits, there is no effect on local governments.

Fiscal Analysis

State Expenditures: The homeowner's property tax credit is paid by the counties, which are reimbursed by the Department of Assessments and Taxation. The fiscal impact of this bill will therefore fall on the State.

Approximately 5.9% of Maryland taxpayers claimed the deduction for medical expenses over 7.5% of federal adjusted gross income. Because the majority of homeowner's tax credit recipients are elderly, it is assumed that 12% (5,220 individuals) of tax credit recipients have medical expenses greater than 6.5% of gross income. The income upon which the credit is based would be lowered for these 5,220 homeowners, resulting in a larger tax credit. If the average increase in the credit amount is $378, which is based on data from the Department of Assessments and Taxation, State expenditures will increase by $1,973,000. Expenditures will increase further because taxpayers who are currently ineligible for the tax credit would become eligible under this bill (because their income, for purposes of the tax credit, would be lowered).

Because this bill is applicable to all tax years beginning after June 30, 1997, the first fiscal year with a fiscal impact is fiscal 1998. The expenditure increase will grow in the out-years by an indeterminate amount due to increases in the number of homeowners eligible for the credit and increases in health care costs.

Information Source(s): Department of Assessments and Taxation; Anne Arundel, Dorchester, and Prince George's counties; Department of Fiscal Services

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