SB 631

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 631 (Senator Derr)
Budget and Taxation

Income Tax - Additional Exemptions for Disabled Taxpayers and Dependents

This bill allows additional $1,000 exemptions under the Maryland income tax for disabled taxpayers and dependents.

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

Fiscal Summary

State Effect: General fund revenues could decline an estimated $14.9 million in FY 1997, and expenditures could increase $35,000. Out-year estimates reflect estimated growth of 1% of those eligible for the additional exemptions.

($ in thousands)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	($14,890)	($9,976)	($10,076)	($10,176)	($10,278)
GF Expenditures	35	0	0	0	0
Net Effect	($14,925)	($9,976)	($10,076)	($10,176)	($10,278)

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

Local Effect: Local revenues could decline an estimated $8.1 million in FY 1997 and $5.5 million in FY 1998. Expenditures would not be affected.

Fiscal Analysis

State Revenues: General fund revenues would decline an estimated $14.9 million in fiscal 1997. According to the Census Bureau, there were an estimated 230,000 disabled adults in Maryland in 1990, and about 70,160 disabled children. Growth of the disabled population is assumed to be at the same rate as for the general population, or about 1% per year. About

40% of disabled adults work. Assuming that the exemption would be claimed for all disabled children and working adults, and another 10% of disabled adults who are considered dependents, exemptions under this bill would total $196.5 million in tax year 1996, and $198.5 million in tax year 1997. The exemptions would result in a loss of tax revenue of $9,825,000 from tax year 1996 and $9,925,000 from tax year 1997.

All the 1996 impact would occur when 1996 taxes are filed in fiscal 1997, but it is assumed that withholding would be adjusted after that point. Therefore, one and one-half years of exemptions would occur in fiscal 1997. After fiscal 1997, the tax year loss would be distributed 51% to the current fiscal year and 49% to the following fiscal year, as has been the recent pattern. The fiscal 1997 loss would therefore be an estimated $14.9 million, and the fiscal 1998 loss would be an estimated $10.0 million.

State Expenditures: The Office of the Comptroller would incur costs of $35,000 for computer programming changes. The Department of Fiscal Services advises that if other legislation is also passed changing the Maryland income tax calculation, economies of scale regarding computer programming changes could be realized. This could reduce computer programming costs associated with this bill and other income tax legislation.

Local Revenues: Local revenues would decline an average of 54.5% of the State revenue loss through the piggyback tax. Local revenues would therefore decline by an estimated $8.1 million in fiscal 1997, and $5.5 million in fiscal 1998.

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

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