

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 462 (Delegate Barve)
Ways and Means

Income Tax - Part-Year Residents - Proration of Modifications and Deductions

This bill prohibits the Comptroller from requiring part-year residents to prorate income tax exemptions, deductions, and modifications by a method other than number of months of residency, although the Comptroller can allow other methods of proration.

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 by an indeterminate amount in FY 1997. Expenditures would not be affected.

Local Effect: Local revenues could decline by an indeterminate amount in FY 1997. Expenditures would not be affected.

Fiscal Analysis

State Revenues: The Office of the Comptroller advises that general fund revenues could decline by approximately \$880,000 in fiscal 1997. The Comptroller issued regulations in 1993 requiring exemptions, deductions, and modifications to be prorated based on the proportion Maryland income is to total income. This change was estimated to result in a revenue increase of \$770,000. Inflated by growth in income tax revenue, the fiscal 1997 loss would total \$880,000.

The Department of Fiscal Services advises that the effect on revenues is indeterminate. The amount of the loss depends upon the number of part-year residents of Maryland, the time they reside in Maryland, and the income they earn in Maryland and elsewhere, all of which

cannot be reliably estimated at this time. Moreover, in any given year, this change could result in a revenue loss, but it also could result in a revenue increase.

Local Revenues: The effect on local government revenues would be about 54.5% of the State change in each fiscal year through the piggyback tax.

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

Fiscal Note History: First Reader - February 20, 1996

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