

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE  
Revised

House Bill 153 (Delegate Leopold)  
Ways and Means

Referred to Budget and Taxation

**Income Tax - Subtraction Modification for Employer Tuition Reimbursement  
Payments**

This amended bill creates a subtraction modification for the individual income tax of up to \$500 for higher education tuition payments reimbursed by an employer if the reimbursements are included in the employee's federal adjusted gross income.

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 \$372,500 in FY 1997. Out-year losses are expected to be constant based on steady enrollment. Expenditures would not be affected.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	(\$372,500)	(\$372,500)	(\$372,500)	(\$372,500)	(\$372,500)
GF Expenditures	0	0	0	0	0
Net Effect	(\$372,500)	(\$372,500)	(\$372,500)	(\$372,500)	\$372,500

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

**Local Effect:** Local revenues could decline by an estimated \$203,000 in FY 1997. Expenditures are not affected.

**Fiscal Analysis**

**State Revenues:** Federal tax law provided for an exclusion of up to \$5,250 in employer-provided reimbursement through tax year 1994. The estimated cost to Maryland of this provision was \$1,956,000 for tax year 1993, implying tuition reimbursements of \$39.1

million. Assuming the average subtraction was \$2,625 (half of \$5,250), there were approximately 14,900 taxpayers claiming the subtraction. If all these individuals qualify for the \$500 subtraction, the \$7.5 million of subtractions could result in an estimated general fund loss of \$372,500. This amount is not expected to change significantly in the out-years as enrollments generally are steady and the \$500 limit means that inflation in tuition will not be a factor.

**Local Revenues:** Local governments will lose piggyback revenues of about 54.5% of the State loss in each fiscal year. In fiscal 1997, the loss could total \$203,000.

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

**Fiscal Note History:** First Reader - February 5, 1996

ncs Revised - House Third Reader - March 21, 1996

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