Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 643 (Senator Haines)
Budget and Taxation

State Income Tax Credit

This bill creates a credit against the State income tax of $150 for each dependent. Non-residents must prorate this credit based on Maryland income, while part-year residents must prorate the credit based on months in the State.

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

Fiscal Summary

State Effect: General fund revenues would decline an estimated $120.9 million in FY 1997; expenditures would increase about $41,000. Out-year estimates reflect growth in exemptions.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	($120,856)	($238,181)	($240,563)	($242,969)	($245,398)
GF Expenditures	41	0	0	0	0
Net Effect	($120,897)	($238,181)	($240,563)	($242,969)	($245,398)

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

Local Effect: None.

Fiscal Analysis

State Revenues: General fund revenues could decline an estimated $120.9 million in fiscal 1997. In tax year 1993, there were about 1,518,174 dependents. At an estimated growth rate of 1% per year, there would be about 1,579,800 dependents in tax year 1997. The $150 credit would reduce State revenues approximately $237.0 million in tax year 1997. Exhibit 1 shows the tax year and fiscal year losses of this credit. The tax year losses are distributed 51% to the first fiscal year and 49% to the second, as has been the recent pattern.

Exhibit 1
General Fund Revenue Loss from SB 643
($ in millions)

Tax Year	Revenue Loss	FY 97	FY 98	FY 99	FY 00	FY 01
1997	$237.0	$120.9	$116.1			
1998	239.3		122.0	$117.3		
1999	241.7			123.3	$118.4	
2000	244.2				124.5	$119.7
2001	248.6					126.8
	FY Loss	$120.9	$238.2	$240.5	$243.0	$246.4

The proposed fiscal 1997 State budget is based on revenue estimates that do not account for this revenue loss.

State Expenditures: The Office of the Comptroller would incur expenditures of $41,000 for computer programming changes related to this bill. The Department of Fiscal Services advises that if other legislation is passed changing the Maryland income tax calculation, economies of scale regarding computer programming changes could be realized. This would reduce computer programming costs associated with this bill and other income tax legislation.

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

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