

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE  
Revised

House Bill 1088 (Chairman, Economic Matters Committee)  
(Departmental - Labor, Licensing and Regulation)

Economic Matters

Referred to Finance

Unemployment Insurance - Withholding of Federal and State Income Tax

This amended departmental bill provides that federal and State income taxes may be withheld from unemployment insurance benefits. When an individual files a new claim for benefits establishing a new benefit year, the individual shall be advised that the benefits are subject to federal and State income taxes and these taxes may be withheld at the election of the claimant. The individual must also be advised that requirements exist pertaining to estimated tax payments.

This bill is effective October 1, 1996, and applies to unemployment insurance benefit checks that are issued on or after January 1, 1997.

Fiscal Summary

**State Effect:** General fund expenditures could increase by \$32,700 in fiscal 1997, which includes one-time programming costs. Out-year estimates reflect continuing expenditures adjusted for inflation. Revenues would not be affected.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	37,200	13,800	14,100	14,400	14,600
Net Effect	(\$37,200)	(\$13,800)	(\$14,100)	(\$14,400)	(\$14,600)

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

**Local Effect:** None.

**Small Business Effect:** The Department of Labor, Licensing and Regulation has determined that this bill has minimal or no impact on small business (attached). Fiscal Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

## Fiscal Analysis

**State Expenditures:** The Department of Labor, Licensing and Regulation advises that costs of \$41,200 would be incurred in fiscal 1997 to implement the withholding of State income taxes from unemployment insurance benefits. These costs include one-time costs of \$22,500 for programming, and funds for one-half of a Fiscal Clerk III. The Department of Fiscal Services advises that this position could be contractual, and that total costs for fiscal 1997 could be \$32,700. Out-year expenditures include costs for maintaining the system and the fiscal clerk, which are inflated at 2%.

The Office of Unemployment Insurance is 100% federally funded, but these funds can only be used for unemployment insurance purposes. The Office of the Comptroller has agreed to pay “reasonable administrative costs” associated with legislation providing for the withholding of State income taxes from unemployment insurance benefits. The Comptroller does not currently have funds budgeted for this purpose.

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**Information Source(s):** Department of Labor, Licensing and Regulation (Office of Unemployment Insurance), Department of Fiscal Services

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

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