

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1138 (Delegate Eckardt, et al.)
Ways and Means

Income Tax - Subtraction for Retirement Income

This bill includes income from qualified retirement plans, including tax exempt trusts, annuities, individual retirement accounts (IRAs), and individual retirement annuities, in the pension exclusion calculation.

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 would decline by substantially more than \$5.0 million in FY 1997. Expenditures would not be affected.

Local Effect: Local revenues would decline 54.5% of any State loss, or more than \$2.7 million in FY 1997. Expenditures would not be affected.

Fiscal Analysis

State Revenues: General fund revenues would decline an indeterminate amount. In tax year 1993, an estimated 22,870 returns reflected IRA distributions of about \$534.5 million. The revenue loss from IRA distributions alone would equal approximately \$5.0 million for tax year 1996. All these losses would occur in fiscal 1997, when 1996 returns are filed. The loss from IRAs would be greater to the extent that taxpayers have taxes withheld from distributions.

The loss attributable to other qualified retirement plans cannot be reliably estimated at this time.

Local Revenues: The local revenue loss would total about 54.5% of the State revenue loss.

In fiscal 1997, this would amount to more than \$2.7 million.

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

Fiscal Note History: First Reader - March 8, 1996

ncs

Analysis by: David F. Roose

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710