

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

House Bill 351 (Delegate Walkup)  
Ways and Means

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**Income Tax - Installment Sales - Credit for Tax Paid to Another State for Earlier Taxable Year**

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This bill allows taxpayers a credit against the individual income tax for income taxes paid in prior years to another state if the taxes are attributable to income from installment sales, and that income is recognized for federal tax purposes in the current year. The credit is the lesser of the tax paid to the other state attributable to the income recognized in a taxable year, or 5% of the income recognized in a taxable year.

This bill is effective July 1, 1997, and applies to all taxable years beginning after December 31, 1996.

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**Fiscal Summary**

**State Effect:** General fund revenues would decline by an indeterminate amount. Expenditures would not be affected.

**Local Effect:** None. The credit is allowed only against State income taxes.

**Small Business Effect:** None. This bill would not directly affect small businesses.

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**Fiscal Analysis**

**State Revenues:** General fund revenues would decline by an indeterminate amount. The loss depends on the number of individuals moving into the State from states which require the gain from installment sales of property to be recognized entirely in the year of the sale, and the income received by these individuals from the sales, neither of which can be reliably estimated. The revenue loss would be up to 5% of income from installment sales by people who move to Maryland from states which do not recognize the federal deferral of installment sale income.

This bill would be of benefit to those moving to Maryland from Pennsylvania, which does not recognize the federal deferral of income, and West Virginia, which requires recognition of any remaining gain if an individual moves out of the state. Other neighboring states recognize the federal deferral.

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

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