

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 23 (Senator Sfikas)
Budget and Taxation

Homeowners' Property Tax Credit - Computation - Medical Expenses

This bill allows taxpayers to subtract medical expenses from gross income for purposes of the homeowner's property tax credit. Eligible medical expenses are those which exceed 6.5% of gross income and are not reimbursed by public or private health insurance or any other health benefit arrangement.

The bill is effective October 1, 1997 and applies to all taxable years after June 30, 1998.

Fiscal Summary

State Effect: General fund expenditures would increase by \$1.94 million beginning in FY 1999. Expenditures in the out-years would increase at an annual rate of 0.5%. Revenues would not be affected.

(in dollars)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	\$0	\$1,940,000	\$1,950,000	\$1,960,000	\$1,970,000
Net Effect	\$0	(\$1,940,000)	(\$1,950,000)	(\$1,960,000)	(\$1,970,000)

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

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

State Expenditures: The homeowners' property tax credit is paid by the counties, which are reimbursed by the Department of Assessments and Taxation. The fiscal impact of this bill will therefore fall on the State.

Since this bill, in effect, raises the income threshold at which homeowners are eligible for this tax credit, it could increase both the number and the size of the credits granted. Based on income tax data, it is estimated that 11.5% or 5,070 of Maryland tax credit applicants have medical expenses which would be eligible for exclusion from gross income. Assuming an estimated additional credit of \$375 for each recipient and a 1.5% increase in the number of people eligible for a homeowner's tax credit, total State expenditures would increase by \$1.94 million.

Because this bill is applicable to all tax years beginning after June 30, 1998, the first fiscal year with a fiscal impact is fiscal 1999. Future year expenditures reflect 0.5% estimated annual growth in the program.

Information Source(s): Department of Assessments and Taxation, Prince George's County, Somerset County, Charles County, Department of Fiscal Services

Fiscal Note History: First Reader - January 14, 1997
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