HB 654

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 654 (Delegate Beck)
Ways and Means

Income Tax - Elderly Taxpayers

This bill creates a subtraction modification for the individual income tax for those taxpayers who: (1) are at least 80 years old on the last day of the taxable year; (2) have paid Maryland income taxes for each of the previous five taxable years; and (3) cannot be claimed as dependents by other taxpayers. The subtraction is the lesser of Maryland adjusted gross income or $50,000 for a joint or head of household return, or $25,000 for single taxpayer.

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

Fiscal Summary

State Effect: General fund revenues could decline by an estimated $89.5 million in FY 1998 and $63.4 million in FY 1999, increasing at about 5% annually. Expenditures would not be affected.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	($89.5)	($63.4)	($66.5)	($69.8)	($73.2)
GF Expenditures	0.0	0.0	0.0	0.0	0.0
Net Effect	($89.5)	($63.4)	($66.5)	($69.8)	($73.2)

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

Local Effect: Local revenues could decline by an estimated $48.8 million in FY 1998. Expenditures would not be affected.

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

Fiscal Analysis

State Revenues: General fund revenues could decline by an estimated $89.5 million in fiscal 1998. An estimated 67,400 tax returns are filed by individuals who are 80 or older. Assuming that the average income of these taxpayers is two-thirds that of the general population, and accounting for the approximately 6.2% of taxpayers claimed as a dependent on other returns, subtractions totaling $1.2 billion would be taken. The revenue loss would total $57.9 million for tax year 1997. This loss is estimated to grow by the growth of personal income, about 5% annually.

The 1997 loss would occur in fiscal 1998, as would 51% of the tax year 1998 loss (it is assumed that estimated payments would be adjusted). The remainder of the tax year 1998 loss and 51% of the tax year 1999 loss would occur in fiscal 1999. Thus, the fiscal 1998 loss would be an estimated $89.5 million. The fiscal 1999 loss would be an estimated $63.4 million, increasing at about 5% annually.

Local Revenues: Local revenues would decline through the piggyback tax by about 54.5% of the State revenue loss. Thus, fiscal 1998 revenues could decline by about $48.8 million, and fiscal 1999 revenues could decline by about $34.6 million.

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

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