

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 734 (Delegate Cryor, *et al.*)
Ways and Means

Referred to Budget and Taxation

**Income Tax Subtraction Modification - Businesses -
Teaching the English Language to Employees' Families**

This amended bill creates a subtraction modification for the income tax for employers who provide English language training to non-English speaking adult members of employees' families. The subtraction is for 100% of the costs incurred for the training including wages paid to an employee providing the training, and 50% of the costs of any books or supplies provided. The subtraction is limited to \$2,500 for any taxable year for an employer.

This bill applies to all taxable years beginning after December 31, 1997 but before January 1, 2000. The bill sunsets December 31, 1999.

Fiscal Summary

State Effect: Indeterminate loss of general fund and Transportation Trust Fund revenues in FY 1999 and FY 2000. Expenditures would not be affected.

Local Effect: Local revenues would decline 54.5% of any State loss from the individual income tax, with an additional minimal loss for those subtractions taken against the corporate income tax. Expenditures would not be affected.

Small Business Effect: Potential minimal impact on small business as discussed below.

Fiscal Analysis

State Revenues: The revenue loss occasioned by this bill is indeterminate. It depends on the number of employers in the State who provide English language training and the expenses incurred in doing so, neither of which can be reliably estimated at this time.

English training generally takes four to six hours per week for twenty months. Books cost an

estimated \$75, and English training is estimated to cost \$19.50 per hour. Costs could therefore total \$7,875 over 20 months, or \$4,725 per year. Subtractions taken in tax year 1998 would result in a revenue loss in fiscal 1999, when 1998 returns are filed. Subtractions taken against the individual income tax would result in a revenue loss of \$125 (because of the \$2,500 limit), while those taken against the corporate income tax would result in a general fund and Transportation Trust Fund loss of \$175.

Because of the \$2,500 ceiling on the subtraction, it is expected that an employer could only claim this subtraction for one adult member of an employees' family each year. For illustrative purposes, for each 1,000 subtractions, revenues would decline a total of \$150,000 (if half are taken against the individual income tax and half against the corporate income tax).

Local Revenues: Local revenues would decline 54.5% of the State loss attributable to subtractions taken against the individual income tax, and a minimal amount for those taken against the corporate income tax. Thus, the local revenue loss would be slightly greater than \$41,000 for each 1,000 subtractions (half individual, half corporate).

Small Business Effect: Small businesses providing English language training to their employees will receive tax savings up to \$125 (individual income tax) or \$175 (corporate income tax) per year, thereby reducing the costs of such small businesses.

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

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Analysis by: David F. Roose

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710