

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1395 (Delegates Conroy and Poole)
Ways and Means

Income Tax - Subtraction Modification for Ground Heat Pump Systems

This bill creates a subtraction modification for the individual income tax of 100% of the amount paid by an individual for the acquisition and installation of a ground heat pump system.

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

Fiscal Summary

State Effect: Minimal indeterminate general fund revenue decrease. No effect on expenditures.

Local Effect: Revenues will decline by 54.5% of any State revenue decrease. Expenditures would not be affected.

Small Business Effect: Meaningful impact on small businesses as discussed below.

Fiscal Analysis

State Revenues: The average cost to consumers of purchasing and installing ground heat pump systems is approximately \$13,500. The number of such systems which will be installed cannot be reliably determined at this time, but is assumed to be relatively small. For every ten ground heat pump systems installed, the general fund will lose \$6,750.

Any loss will be realized in the fiscal year following the tax year in which the subtraction is taken. The first year this bill will have an effect is fiscal 1998.

Local Revenues: Local revenues will decline by 54.5% on average, of any State revenue

decrease. Therefore, for every ten systems installed, revenues will decline by \$3,680.

Small Business Effect: This bill effectively reduces the cost of purchasing and installing ground heat pump systems by about 7.5%. Thus, sales of ground heat pump systems could increase, resulting in increased revenue for sellers and installers of ground heat pump systems.

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

Fiscal Note History: First Reader - March 10, 1997

lc

Analysis by: David F. Roose

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710