Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 716 (Delegate Cryor, *et al.*)
Ways and Means

Tax Credit for Computers Donated to Employees with Children

This bill creates a $50 tax credit for each computer donated by an employer to an employee who has children. The credit may be taken against the individual or corporate income tax, the insurance premium tax, the financial institution franchise tax, or the public service company franchise tax. If the credit exceeds the State income tax, the excess may be carried forward for five taxable years or until the full amount of the credit is used.

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

Fiscal Summary

State Effect: Indeterminate general fund and Transportation Trust Fund (TTF) revenue decline. Expenditures could increase $67,000 in FY 1998 as discussed below.

Local Effect: Local revenues could decline a minimal amount. Expenditures would not be affected.

Small Business Effect: Minimal effect on small businesses, as discussed below.

Fiscal Analysis

State Revenues: General fund and Transportation Trust Fund revenues would decline an indeterminate amount. The number of computers which would be donated to employees as a result of this bill cannot be reliably estimated, but could be significant since there is no minimum value for donated computers. Corporations and taxpayers who itemize can currently deduct the value of donated computers; the $50 credit is the equivalent of the individual income tax deduction currently allowed for donating a $1,000 computer. Given the rapid advancement of computer technology, a significant number of computers currently in use are worth substantially less than $1,000. For example, a three-year old computer worth $400 would allow a corporation to save $28 under current law; under this bill donating the computer to an employer with children would save the corporation an additional $50, for a total of $78. Credits claimed against the corporate income tax would reduce general fund revenues by $37.50 and TTF revenues by $12.50. Credits claimed against the other taxes would result in a $50 general fund loss.

State Expenditures: The Office of the Comptroller will incur costs of $39,000 for computer programming changes required for the individual income tax, and $28,000 for changes required for the corporate income tax. The Department of Fiscal Services advises that if other legislation is passed changing the Maryland income tax calculation, economies of scale regarding computer programming changes could be realized. This would reduce computer programming costs associated with this bill and other income tax legislation.

Local Revenues: It is assumed that, for the individual income tax, this credit can only be claimed against the State income tax. Local revenues would decline a minimal amount, however, for each credit claimed against the corporate income tax since a portion of corporate income tax revenues are distributed to local governments through the TTF.

Small Business Effect: The donation of computers could have two effects on small businesses. Donors would be granted with a $50 tax credit per computer, and sales of small businesses that sell new and especially used computers could be reduced.

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

Fiscal Note History: First Reader - February 12, 1997
ncs

Analysis by: David F. Roose
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710