

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 577 (Delegate Campbell)
Ways and Means

Income Tax - Income Subject to Withholding - Pari-Mutuel Wagering

This bill requires that income taxes be withheld from any pari-mutuel wagering winnings from which federal income tax must be withheld.

This bill is effective July 1, 1997 and applies to taxable years beginning after December 31, although only to payments made on or after July 1, 1997.

Fiscal Summary

State Effect: General fund revenues could increase an estimated \$506,500 in FY 1998 and \$509,700 annually thereafter. Expenditures would not be affected.

Local Effect: Local revenues would increase an estimated \$90,800 annually. Expenditures would not be affected.

Small Business Effect: This bill does not directly affect small businesses.

Fiscal Analysis

State Revenues: Based on audits, the Office of the Comptroller reports that \$500,000 of revenue was not collected in 1990 because of unreported pari-mutuel wagering winnings. Wagering has remained relatively constant since 1990, so it is assumed that \$500,000 of revenue is uncollected annually. One-third of this liability is attributable to residents. The share for nonresidents is therefore \$333,300, and the State share for residents is \$107,900.

In fiscal 1998, interest would be received for nine months' worth of withholding, resulting in additional revenue of \$6,470 (5.3% interest rate assumed). In fiscal 1999 and thereafter, interest on the full 12 months of withholding would total about \$9,700.

Local Revenues: Of the \$500,000 uncollected tax liability, about \$58,800 is uncollected

piggyback tax revenue. Therefore, local revenue would increase by this amount.

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

Fiscal Note History: First Reader - February 10, 1997

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