

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 168 (Chairman, Ways and Means Committee)
(Departmental - Comptroller)

Ways and Means

**Income Tax - Subtractions from Federal Adjusted Gross Income -
Installment Sale Income**

This departmental bill creates a subtraction modification for the individual income tax for the gain on an installment sale of property in another state which is recognized, for federal tax purposes, in the current taxable year if disposition of the property occurred in a prior taxable year and the taxpayer paid state tax on the full amount of the gain to the state in which the property is located.

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 an indeterminate amount. Expenditures would not be affected.

Local Effect: Local revenues could decline 54.5% of any State revenue loss through the piggyback tax. Expenditures would not be affected.

Small Business Effect: The Office of the Comptroller has determined that this bill has minimal or no impact on small businesses (attached). Fiscal Services concurs with this assessment.

Fiscal Analysis

State Revenues: General fund revenues would decline an indeterminate amount. The loss depends on the number of individuals moving into the State from states which require the gain from installment sales of property to be recognized entirely in the year of the sale, and the income received by these individuals from the sales, neither of which can be reliably estimated. The revenue loss would be 5% of income from installment sales by people who move to Maryland from states which do not recognize the federal deferral of installment sale income.

This bill would be of benefit to those moving to Maryland from Pennsylvania, which does not recognize the federal deferral of income, and West Virginia, which requires recognition of any remaining gain if an individual moves out of the state. Other neighboring states recognize the federal deferral.

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

Fiscal Note History: First Reader - January 17, 1997

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