

Department of Fiscal Services
 Maryland General Assembly

FISCAL NOTE

House Bill 948 (Delegate Walkup)
 Ways and Means

Income Tax - Subtraction Modification for Qualified Higher Education Tuition

This bill creates an income tax subtraction modification for tuition charged by an educational institution in the State and paid by an individual for the full-time enrollment of the individual, the individual's spouse, or a dependent. The subtraction is phased out for taxpayers filing jointly with income between \$110,000 and \$130,000 (\$75,000 and \$95,000 for single filers). Taxpayers with income over these amounts may not claim the subtraction. The subtraction does not include expenses unrelated to an academic course of instruction. The amount of the subtraction must be reduced by qualified scholarships, educational assistance allowances, or payment for educational expenses which is exempt from income taxation by a law of the United States.

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 by an estimated \$19.7 million in FY 1998, increasing at 6% annually. Expenditures would not be affected.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	(\$19.7)	(\$20.9)	(\$22.1)	(\$23.5)	(\$24.9)
GF Expenditures	0.0	0.0	0.0	0.0	0.0
Net Effect	(\$19.7)	(\$20.9)	(\$22.1)	(\$23.5)	(\$24.9)

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: Local revenues could decline by an estimated \$10.7 million in FY 1998, increasing at 6% annually. Expenditures would not be affected.

Small Business Effect: None. This bill does not directly affect small businesses.

Fiscal Analysis

State Revenues: General fund revenues could decline by an estimated \$19.7 million in fiscal 1998. There were an estimated 219,550 Maryland residents enrolled in Maryland institutions of higher education in 1995-96, 166,860 of whom were enrolled full-time. The weighted average tuition, after accounting for \$241 million of scholarships, was about \$2,280. About 92% of these taxpayers would have been eligible for the full subtraction, and another 5% would have received a partial subtraction. The subtractions would have totaled \$359.5 million, for a revenue loss of \$18.0 million. This amount is expected to grow at 6% per year; thus tax year 1997 losses would total \$19.7 million. The loss would be realized in the fiscal year following the tax year for which the subtractions are taken.

Local Revenues: Revenues could decline by 54.5% of any State revenue loss through the piggyback tax. Fiscal 1998 revenues, therefore, could decline an estimated \$10.1 million.

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

Fiscal Note History: First Reader - February 24, 1997

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