

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 492 (Senator Neall. *et al.*)

Budget and Taxation

Vehicle Emissions Testing Equipment - State Income Tax Credit

This bill creates a credit against the individual and corporate income taxes for 20% of the cost of transient mass-emission repair or testing equipment put into use by purchase or lease during a tax year. If the credit exceeds the taxpayer's tax liability, the unused portion of the credit may be carried forward for up to five years after the year in which the property was placed in service.

This bill is effective July 1, 1998, and applies to all taxable years beginning after December 31, 1996, and to all property placed into service after that date.

Fiscal Summary

State Effect: Indeterminate decline in general fund revenues. Expenditures would not be affected.

Local Effect: Indeterminate decline in revenues. Expenditures would not be affected.

Small Business Effect: Meaningful.

Fiscal Analysis

State Revenues: Equipment for transient mass-emission testing costs between \$40,000 and \$50,000. A 20% credit would therefore reduce revenues by \$8,000 to \$10,000. Credits claimed against the individual income tax would reduce general fund revenues; credits claimed against the corporate income tax would reduce general fund and Transportation Trust Fund (TTF) revenues.

Currently, over 200 repair shops are certified emission repair facilities. For each 10 of these shops purchasing the eligible equipment, revenues would decline by \$80,000 to \$100,000

over a period of several years. If the credits are claimed entirely against the corporate income tax, general fund revenues would decline by about \$60,000 to \$75,000, and TTF revenues would decline by about \$20,000 to \$25,000. If the credit is claimed by 225 repair shops, the total revenue loss could reach \$2.25 million over a period of several years.

The Department of Legislative Services advises that the fiscal impact of this bill could be substantially higher depending upon how “repair” equipment is interpreted.

Local Revenues: Local revenues would decline for those credits claimed against the corporate income tax, since a portion of corporate income tax revenues is distributed to local governments through the TTF.

Small Business Effect: Costs for mass-emission testing and repair equipment would be reduced by 20% under this bill.

Information Source(s): Office of the Comptroller (Bureau of Revenue Estimates), Department of Transportation, Maryland Department of the Environment (Air and Radiation Management Administration), Department of Legislative Services

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