

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 997 (Delegate McKee)

Ways and Means

Income Tax Exemption Amounts - Blind or Elderly Individuals

This bill increases the exemption amounts allowed for elderly or blind individuals from \$1,000 to \$1,400 for tax year 1998, and increases them each year to amounts equal to amounts allowed for the personal exemption (up to \$2,400 in tax year 2002).

This bill is effective July 1, 1998.

Fiscal Summary

State Effect: General fund revenues would decline by an estimated \$7.3 million in FY 1999. Out-year growth reflects the increasing exemption, growth in the number of exemptions claimed, and lower top tax rates. Expenditures would not be affected.

(in millions)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	(\$7.3)	(\$11.0)	(\$15.5)	(\$20.1)	(\$25.5)
GF Expenditures	0.0	0.0	0.0	0.0	0.0
Net Effect	(\$7.3)	(\$11.0)	(\$15.5)	(\$20.1)	(\$25.5)

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

Local Effect: Local revenues would decline by an estimated \$4.1 million in FY 1999. Expenditures would not be affected.

Small Business Effect: None.

Fiscal Analysis

State Revenues: There were 358,042 elderly/blind exemptions claimed in 1995. Assuming 1% growth per year, about 368,900 elderly/blind exemptions would be claimed in 1998. The exemption currently is \$1,000; increasing this by \$400 would result in a reduction of taxable income of approximately \$147.6 million. At the 4.95% top rate for tax year 1998, general fund revenues would decline by \$7.3 million. As the exemption increases in each year, the revenue loss would increase. In tax year 2002, when the exemption reaches \$2,400, the revenue loss would be an estimated \$25.8 million (in fiscal 2003). From then on, the revenue loss would grow by about 1% annually.

State Expenditures: The Office of the Comptroller advises that changing the elderly/blind exemptions each year for the next five tax years will cost an estimated \$2,500 for computer programming. This cost can be absorbed within existing budgeted resources.

Local Revenues: Local revenues would decline by approximately 55% of the loss of State revenue through the local income tax. In fiscal 1999, the loss would be an estimated \$4.1 million, increasing to \$14.8 million in fiscal 2003.

The Department of Legislative Services advises that the intent of this bill was to hold local governments harmless from these changes, in line with the 1997 Tax Reduction Act.

Information Source(s): Office of the Comptroller (Bureau of Revenue Estimates),
Department of Legislative Services

Fiscal Note History: First Reader - March 9, 1998
Inc

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

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