

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 541 (Delegate Crvor. *et al.*)

Ways and Means

Income Tax - Standard Deduction - Homeowners Age 65 and Over

This bill allows homeowners who are at least 65 years old with federal adjusted gross income of less than \$50,000 to take a standard deduction of 15% of Maryland adjusted gross income (MAGI), with a minimum of \$3,000 and a maximum of \$4,000. Under current law, the standard deduction is 15% of MAGI, with a minimum of \$1,500 and a maximum of \$2,000. There is no differentiated amount based on age.

The bill takes effect July 1, 1999 and applies to all taxable years beginning after December 31, 1999.

Fiscal Summary

State Effect: General fund revenues would decrease by \$2.2 million in FY 2001. Future year revenue losses grow by about 5% annually. No effect on expenditures.

(in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	\$0	(\$2.2)	(\$2.3)	(\$2.4)	(\$2.5)
GF Expenditures	0	0	0	0	0
Net Effect	\$0	(\$2.2)	(\$2.3)	(\$2.4)	(\$2.5)

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

Local Effect: Local piggyback revenues would decrease by \$1.2 million in FY 2001. Future year revenue losses increase by about 5% annually. No effect on expenditures.

Small Business Effect: None.

Fiscal Analysis

State Effect: Based on the Maryland Statistics of Income data, it is estimated that the general fund revenue loss resulting from this bill would be about \$2.2 million in tax year 2001. Assuming that withholdings and estimated payments are not adjusted to reflect the savings for taxpayers, the impact of the loss will occur in fiscal 2001. The estimate is based on 1998 census data that indicates 71% of the population in the Northeast aged 65 and older are homeowners. Future year revenue losses grow by about 5% annually.

The Office of the Comptroller would incur one-time computer programming costs of \$20,500 in fiscal 2001 to change the standard deduction amount as a result of this bill. The Department of Legislative Services advises that economies of scale regarding computer programming changes could be realized since there will be changes to the income tax processing system due to the 1997 income tax reduction which is phased-in through 2002.

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

Fiscal Note History: First Reader - March 8, 1999

dmm/jr

Analysis by: Lina Walker

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510