Department of Legislative Services

Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 581 (Delegate Mandel)
(Maryland Gives! Task Force on Charitable Giving)
Ways and Means

Income Tax Credit for Charitable Giving to Qualified Endowments

This bill creates a personal and corporate income tax credit for charitable contributions made to "qualified endowments." The credit for the individual is equal to 50% of the present value of the aggregate amount of the charitable gift portion of a "planned gift" made by the individual during the taxable year; the credit for a corporation is 50% of the charitable gift for a charitable contribution made by the corporation during the taxable year. The credit is capped at the lessor of: (1) $10,000; or (2) the State income tax liability after other credits are taken. The credit may not be carried forward. If the above credit is claimed by an individual who itemizes deductions or by a corporation, the amount of charitable giving used to calculate the credit must be included as an addition modification to Maryland adjusted gross income.

The bill takes effect July 1, 1999 and applies to all taxable years beginning after December 31, 1998.

Fiscal Summary

State Effect: Indeterminate decrease in general fund and special fund revenues. No effect on expenditures.

Local Effect: Indeterminate decrease in local revenues. No effect on expenditures.

Small Business Effect: Minimal.

Fiscal Analysis

State Effect: General fund revenues would decrease by an indeterminate amount as a result of the credits claimed by some individuals and corporations. For instance, a corporation that makes a qualified charitable gift of $100,000 would be able to claim a credit of $10,000. Including $100,000 as an addition modification will increase the tax liability of the corporation by $7,000. The net effect is a savings to the corporation of $3,000.

The credit could, however, increase the tax liability of some individuals or corporations because it is capped at $10,000 or the State tax liability, and the amount of the charitable gift made by the individual or the corporation must be added back as an addition modification. Thus, it is possible that the amount added back to Maryland adjusted gross income will increase the tax liability by more than the actual credit claimed. For instance, a corporation may have made a qualified charitable gift of $200,000. Under the bill, the maximum credit claimed will be $10,000. Including the $200,000 as an addition modification will increase the corporation's tax liability by $14,000, resulting in a net increase in tax of $4,000.

It is assumed that taxpayers will claim the credit only if it results in a reduction in tax liability; thus, State revenues are expected to decline as a result of the bill. The extent of the decrease, however, cannot be reliably estimated at this time.

Any credits claimed against the corporate income tax will decrease special fund revenues to the Transportation Trust Fund (TTF) since about 25% of corporate tax revenues are distributed to the TTF.

The Office of the Comptroller would incur one-time computer programming costs of $50,500 to add the credit to the individual and corporate income tax returns. 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.

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

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

Fiscal Note History: First Reader - March 9, 1999

dmm/jr

Analysis by: Lina Walker

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