

Department of Legislative Services  
 Maryland General Assembly  
 1999 Session

FISCAL NOTE

Senate Bill 471 (Senator McFadden)

Budget and Taxation

---

State Income Tax Credits for Charitable Giving

---

This bill creates an income tax credit equal to 10% of the amount by which the individual's charitable contributions for the taxable year exceeds 4% of the individual's federal adjusted gross income. The credit applies to all taxpayers regardless of whether or not itemized deductions are taken in the individual's federal tax return. The credit is not refundable and may not be carried over to another taxable year.

The bill applies to all taxable years beginning after December 31, 1998.

---

Fiscal Summary

**State Effect:** General fund revenues would decrease by at least \$88.3 million in FY 2000. Future year revenue losses increase by about 6% annually. No effect on expenditures.

(in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	(\$88.3)	(\$93.8)	(\$99.8)	(\$106.0)	(\$112.7)
GF Expenditures	0	0	0	0	0
Net Effect	(\$88.3)	(\$93.8)	(\$99.8)	(\$106.0)	(\$112.7)

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

---

## Fiscal Analysis

**State Effect:** Based on tax year 1996 federal taxable returns data for Maryland taxpayers, general fund revenues are estimated to decrease by \$88.3 million in fiscal 2000 as a result of the credits claimed by individuals who itemize. The estimate is based on the following facts and assumptions:

- 213,619 Maryland taxpayers with itemized federal deductions claimed a deduction for charitable contributions in 1996.
- The average charitable contribution by income class ranged from \$1,560 to \$72,200.

The loss to State revenues will be greater to the extent that non-itemizers would also be allowed to claim the credit on their return. The extent of the loss attributable to non-itemizers cannot be reliably estimated at this time.

Out-year estimates increase by 6.3% annually, which reflects the average growth in contributions between 1986 and 1996.

The Office of the Comptroller would incur one-time computer programming costs of \$50,500 to add the credit to the personal 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.

---

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

**Fiscal Note History:** First Reader - March 9, 1999

ncs/jr

---

Analysis by: Lina Walker

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 946-5510

(301) 970-5510