SB 183

Department of Legislative Services

Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 183 (Senator Stone, *et al.*)
Budget and Taxation

Income Tax - Retirement Income

This bill reduces the age, from 65 to 62, at which a Maryland taxpayer can qualify for the State pension exclusion as an income tax subtraction modification.

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

Fiscal Summary

State Effect: General fund revenues would decrease by $9.8 million in FY 2000, which includes the impact of tax year 1999 and half of tax year 2000. Future year revenue losses reflect a single fiscal year's loss and 5% growth. Expenditures would not be affected.

(in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	($9.8)	($6.9)	($7.2)	($7.5)	($7.9)
GF Expenditures	0	0	0	0	0
Net Effect	($9.8)	($6.9)	($7.2)	($7.5)	($7.9)

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

Local Effect: Local piggyback revenues would decrease by $5.6 million in FY 2000 and $3.9 million in FY 2001. Future year revenue losses grow by 5%.

Small Business Effect: None.

Fiscal Analysis

State Revenues: General fund revenues would decrease by $6.5 million in tax year 1999. Although the tax credit is allowed for tax year 1999, it is assumed that most taxpayers will not adjust their tax withholdings to reflect the credit until after July 1, 1999. Consequently, general fund revenues are estimated to decrease by $9.8 million in fiscal 2000, reflecting the impact of one and one-half tax years. The estimate is based on the following facts and assumptions:

- Approximately140,000 taxable returns claimed a pension exclusion in 1996 and the total amount claimed was $951 million.

- 72% of all retirees are 65 and above and 8.7% of all retirees are 62 - 64.

- The average pension exclusion claimed by the 62 - 64 age group is equivalent to the average pension exclusion claimed by the 65 and above age group.

Out-year estimates assume a 5% growth in the amount of pension exclusion claimed.

Local Revenues: Local piggyback revenues would decrease by $5.6 million in fiscal 2000 and $3.9 million in fiscal 2001. Future year revenue losses grow by 5% annually.

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

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