

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 527 (Delegate Hixson, *et al.*)

Ways and Means

Income Tax - Refundable Earned Income Credit

This bill increases the refundable earned income credit (EIC) allowed under current law. The credit is increased from 10% to 15% in tax year 1999, from 12.5% to 20% in tax year 2000, and from 15% to 20% for tax years 2001 and thereafter.

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 \$18.1 million in FY 2000 and \$29.4 million in FY 2001. Future year revenue losses account for growth in returns and EIC. No effect on expenditures.

(in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	(\$18.1)	(\$29.4)	(\$20.4)	(\$21.0)	(\$21.4)
GF Expenditures	0	0	0	0	0
Net Effect	(\$18.1)	(\$29.4)	(\$20.4)	(\$21.0)	(\$21.4)

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

Local Effect: None.

Small Business Effect: Minimal.

Fiscal Analysis

State Revenues: Based on federal earned income credit information from the Fall 1998 federal *Statistics of Income Bulletin* for Maryland for tax year 1996 and actual Maryland EIC growth for tax year 1997 from the *Maryland Income Tax Summary Report* for 1996-1997, it is estimated that general fund revenues would decrease by about \$18.1 million in fiscal 2000 as a result of increasing the refundable earned income credit. The estimate assumes that the number of Maryland returns with an EIC is equivalent to the share of federal returns for Maryland with an EIC relative to all federal returns for tax year 1996, which is about 1.73%, and a participation rate of 85%. Out-year estimates account for population growth and assume the EIC grows by 2% annually.

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

Fiscal Note History: First Reader - March 9, 1999

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Analysis by: Lina Walker

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 946-5510

(301) 970-5510