

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 557 (Delegate Klausmeier. *et al.*)

Ways and Means

Maryland Income Tax - Military Retirement Income

This bill modifies the subtraction modification for military retirement income. The subtraction modification is increased from \$2,500 to \$5,000 and phases-out for federal adjusted gross incomes over \$32,000 instead of \$17,500. The subtraction applies only to retirees who are at least 55 years and were enlisted members of the military.

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 \$505,000 in FY 2000. Future year revenue losses grow by 1% annually. No effect on expenditures.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	(\$505,000)	(\$510,100)	(\$515,200)	(\$520,300)	(\$525,500)
GF Expenditures	0	0	0	0	0
Net Effect	(\$505,000)	(\$510,100)	(\$515,200)	(\$520,300)	(\$525,500)

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

Local Effect: Local piggyback revenues would decrease by \$289,200 in FY 2000. Future year revenue losses increase by 1% annually. No effect on expenditures.

Small Business Effect: None.

Fiscal Analysis

State Revenues: General fund revenues would decrease by \$505,000 in fiscal 2000. The estimate is based on the following facts and assumptions:

- All retired enlisted members of the military between 55 and 64 currently take the \$2,500 subtraction and all retired enlisted members 65 and above take the \$2,500 subtraction and an average pension exclusion of about \$14,900.
- There are 1,966 enlisted members between 55 and 64 and 3,285 enlisted members 65 and above.

Out-year revenue losses increase by 1% annually.

Local Revenue: Local piggyback revenues would decrease by \$289,200 in fiscal 2000 and \$292,100 in fiscal 2001. Revenue losses grow by 1% annually.

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

Fiscal Note History: First Reader - March 8, 1999

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