

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 558 (Delegate Crvor. *et al.*)

Ways and Means

Income Tax - Credit for Retired Teachers Working as Teachers at an Entry Level Salary

This bill creates an income tax credit for retired teachers who are re-hired to work in a county public school system at entry-level salary. The credit in the first year is equal to 80% of the amount by which the individual's teacher retirement allowance exceeds the entry-level salary paid. The credit for the next four succeeding years is equal to 60% of the amount by which the individual's retirement income exceeds the entry-level salary paid that year. The credit is not refundable.

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 revenues. No effect on expenditures.

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

State Effect: There are 34,340 retired members of the teachers' systems. In addition, there are approximately 7,600 active teachers who, based either on age or years of service, are eligible for immediate retirement. According to the State Retirement Agency, the average retirement allowance for a member of the Teachers' Retirement System (TRS) is \$20,311 and the average retirement allowance for a member of the Teachers' Pension System (TPS) is \$10,513. Individual retirees could, however, be earning more than the average. Individuals

in the TRS, for instance, could potentially receive as much as \$33,900, which is the allowance for a teacher who retired after 30 years of service in Montgomery County at the maximum salary of \$62,700. If the same individual were in the TPS, the allowance would be about \$22,600.

The 1997-98 starting salary for public school teachers ranges from \$24,000 to \$29,900. Based on the information above, it is conceivable that some retired teachers would be receiving a retirement allowance that exceeds the entry-level salary in a public school; although they would have to be members of the TRS. To the extent that these individuals are re-employed as teachers and take the credit, general fund revenues would decrease. The extent of the decrease would depend on the level of participation, the amount upon which the credit is based, and the tax liability of the individual. Given the average retirement allowance for members in the TRS, it is unlikely that many individuals would qualify under the bill.

The Office of the Comptroller would incur one-time computer programming costs of \$50,500 to add the credit to the individual income tax return. 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): State Retirement Agency, Maryland State Department of Education, Comptroller of the Treasury (Bureau of Revenue Estimates), Department of Legislative Services

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