

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE

House Bill 1088 (Delegate Dobson. *et al.*)

Ways and Means

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**Income Tax - Support of Children by Noncustodial Parents**

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This bill creates an income tax subtraction modification equal to 50% of the child support payment made by a noncustodial parent if the noncustodial parent is not able to claim a personal exemption for the child for whom support payment is made. The subtraction for each child may not exceed the personal exemption amount for the taxable year: \$1,850 for tax years 1999 and 2000, \$2,100 for tax year 2001, and \$2,400 for tax years 2002 and beyond.

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

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**Fiscal Summary**

**State Effect:** Indeterminate but potentially significant decrease in general fund revenues (at least \$13 million). No effect on expenditures.

**Local Effect:** Indeterminate but potentially significant decrease in local piggyback revenues. No effect on expenditures.

**Small Business Effect:** None.

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**Fiscal Analysis**

**State Revenues:** According to the Maryland Child Enforcement Support Program, there were 96,934 paying cases in fiscal 1998 and \$238,947,925 in child support collections. For illustrative purposes, if all the paying cases took a subtraction as a result of the bill, general fund revenues could decrease by about \$13 million in fiscal 2000. This estimate assumes that half of the payments were for one child and half of the payments were for two children. The

estimate also assumes that the full amount of the subtraction, \$1,850, is taken by the taxpayer.

The Child Enforcement Support Program provides assistance in locating noncustodial parents and establishes and enforces child support orders. Thus, the number of cases and collections reported by the program represents only those cases where the noncustodial parent has not voluntarily made court-ordered child support payments. In 1995 there were about 17,500 divorces in Maryland. According to the Maryland State Bar Association, as many as 90% of divorce cases involve the payment of child support. The proportion of those orders that are referred to the Child Enforcement Support Program cannot be reliably estimated, nor can the total number of noncustodial parents who are currently making child support payments and to whom the bill would apply be reliably estimated at this time. At any rate, based on the assumptions above, the cost of the bill could be at least \$13 million.

**Local Revenues:** Local piggyback revenues could decrease by a potentially significant amount. Based on the discussion above, it could be at least \$7 million in fiscal 2000.

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**Information Source(s):** Maryland State Bar Association, Judiciary (Administrative Office of the Courts), Maryland Statistical Abstract, Comptroller of the Treasury (Bureau of Revenue Estimates), Department of Human Resources (Child Enforcement Support Program), Department of Legislative Services

**Fiscal Note History:** First Reader - March 19, 1999

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