Department of Legislative Services

Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 869 (Delegate Pitkin, *et al.*)
Ways and Means

State Employees - Income Tax Subtraction Modification for Purchase of Home Office Equipment for Teleworking

This bill allows State employees to claim as an income tax subtraction modification 100% of the cost of home office equipment purchased for purposes of participating in a teleworking program administered by a unit of State government.

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 could decrease by $152,630 in FY 2000. Out-year estimates reflect 30% employee turnover and the decrease in the top marginal tax rate over the relevant period. No effect on expenditures.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	($152,630)	($58,900)	($58,320)	($57,700)	($57,700)
GF Expenditures	0	0	0	0	0
Net Effect	($152,630)	($58,900)	($58,320)	($57,700)	($57,700)

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

Local Effect: Local piggyback revenues would decrease by about $86,540 in FY 2000 and $33,400 in FY 2001.

Small Business Effect: None.

Fiscal Analysis

State Revenues: Of the 49,000 State employees of agencies that could participate in the existing State Telecommuting Pilot Program, the Department of Budget and Management (DBM) advises that only a fraction would be eligible for teleworking. In many large departments, such as Public Safety and Correctional Services, Health and Mental Hygiene, and Human Resources, the relevant government services can only be performed with the employees on site. In all, only 4% to 7% of employees might be eligible for teleworking.

Currently, there are about 300 State employees who telework. Based on DBM's assessment that an additional 1,049 individuals might telework in the future, general fund revenues are estimated to decrease by $152,630 in fiscal 2000. The estimate is based on the following facts and assumptions:

- 2,697 employees are eligible to telework (or about 5.5%) and 50% of them elect to telework, or about 1,349, which includes current teleworkers.
- Individuals who are currently teleworking do not purchase new equipment as a result of this bill and thus do not qualify for the subtraction modification.
- Teleworkers spend about $3,000 on home office equipment.
- Interest payments for those purchases secured on credit would not be included as expenses.

To the extent that interest payments are included as expenses, the cost could increase. The cost could also increase if existing teleworkers purchase new equipment due to this bill.

Future year costs of $58,928 assume a 30% turnover, meaning that 30% of total teleworking employees will change each year and new equipment will be purchased. Out-year estimates also reflect the change in the top marginal tax rate as a result of the income tax reduction.

The resulting increase in teleworking could result in reductions in certain State expenditures such as office space. The 1998 Report of the Teleworking Workgroup, prepared by DBM, argues that teleworking results in increased staff productivity. Any such productivity increase, however, cannot be reliably estimated

Local Revenues: Local piggyback revenues would decrease by about $86,543 in fiscal 2000 and $33,400 in fiscal 2001.

Information Source(s): Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - March 10, 1999

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