

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 970 (Delegate W. Baker)
Ways and Means

Income Tax - Credit for Stay-At-Home Parents

This bill allows an "eligible stay-at-home taxpayer" a credit against the State income tax for dependent care expenses related to caring for a dependent less than 30 months in age. The credit may not exceed \$4,000 or the State income tax liability for the taxable year, and may not be carried over to any other taxable year. The individual must be legally married to an individual with a full-time job.

The bill takes effect July 1, 2000, and applies to all taxable years beginning after December 31, 1999.

Fiscal Summary

State Effect: Potential significant decrease in general fund revenues. The extent of the decrease depends on the number of individuals who would qualify as stay-at-home parents, the amount paid in dependent care expenses, and the tax liability of the taxpayer. For illustrative purposes only, general fund revenues could decrease by \$19 million under one set of assumptions.

Local Effect: None. The credit applies to the State income tax only.

Small Business Effect: Minimal.

Analysis

Current Law: No income tax credit of this type exists. However, taxpayers are allowed to subtract from income up to \$2,400 (\$4,800 for two or more children) of the cost of caring for one child while they work.

State Fiscal Effect: The actual cost of the bill depends on the number of individuals that would qualify as stay-at-home parents, the amount paid in dependent care expenses, and the tax liability of the taxpayer.

However, for illustrative purposes, according to the U.S. Census Bureau, there were an estimated 135,680 children in Maryland under one year old as of July 1, 1998, and another 67,731 between the ages of two and three. If it is assumed that one-half of the children between the ages of two and three are less than 30 months old, then there would have been approximately 169,546 children less than 30 months old. This figure represents 21.32% of the estimated 795,105 children in the State who are assumed to require child care.

For tax year 1996, there were 75,244 individual income tax returns with a child care subtraction and a federal adjusted gross income of less than \$50,000. The average child care subtraction was \$2,369. Assuming that one-half of these returns represent stay-at-home parents (37,622) and that 21.32% of them (8,021) have children under 30 months old, and that each claims an average credit of \$2,369, then general fund revenues could decrease by approximately \$19 million.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 8, 2000
jir/jr

Analysis by: Michael Sanelli

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510