

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

House Bill 1303 (Delegate Conway. *et al.*)

Ways and Means

Income Tax - Subtraction Modification for Fire, Rescue, or Emergency Medical Services Membership

This bill reduces, over a period of four years, the duration of service required in Maryland volunteer fire, rescue, or emergency medical service organizations from 72 months to 36 months in order for an individual to be eligible for a subtraction modification under the Maryland income tax.

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

Fiscal Summary

State Effect: General fund revenue decrease of approximately \$121,100 in FY 2002. Future years reflect a 2.5% increase in the number of individuals claiming the subtraction and reduced State income tax rates.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0	(\$121,100)	(\$155,900)	(\$198,500)	(\$203,500)
GF Expenditures	0	0	0	0	0
Net Effect	\$0	(\$121,100)	(\$155,900)	(\$198,500)	(\$203,500)

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

Local Effect: Local government revenue decrease of approximately \$68,400 in FY 2002. Future years reflect a 2.5% increase in the number of individuals claiming the subtraction and reduced State income tax rates.

Small Business Effect: None.

Analysis

Bill Summary: In order to claim the \$3,500 subtraction, an individual must have been a member of a bona fide Maryland fire, rescue, or emergency medical services organization during the last ten calendar years by December 31 of the taxable year for at least:

- 72 months after December 31, 1999;
- 60 months after December 31, 2000;
- 48 months after December 31, 2001; and
- 36 months after December 31, 2002.

Current Law: In order to claim the \$3,500 subtraction, an individual must have been a member of a bona fide Maryland fire, rescue, or emergency medical services organization, or the United States Coast Guard Auxiliary for at least 72 months during the last ten calendar years by December 31 of the taxable year.

State Fiscal Effect: General fund revenues would decrease by approximately \$121,100 in fiscal 2002 based on the following facts and assumptions:

- approximately 721 additional individuals will be able to claim the \$3,500 subtraction in tax year 2001; and
- the number of individuals who will be eligible to claim the subtraction will increase by 2.5% annually.

Future years reflect a 2.5% increase in the number of individuals claiming the subtraction and reduced State income tax rates.

The estimate assumes that all general fund losses will occur in the fiscal year following the tax year in which the subtractions are taken. The estimate only reflects general fund losses above decreases associated with the current subtraction.

There is no revenue loss in fiscal 2001 because the bill's changes do not affect current law until tax years beginning after December 31, 2000.

Local Fiscal Effect: Local revenues would decline by approximately 2.67% of the total subtraction taken, or 55% of the State loss. Based on the estimate above, the total local government revenue decrease would be approximately \$68,400 in fiscal 2002. Future years reflect a 2.5% increase in the number of individuals claiming the subtraction and reduced State income tax rates.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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