

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

House Bill 1373 (Delegate Shriver)
 Ways and Means

Income Tax - Child Care Employees

This bill provides a subtraction modification under the Maryland individual income tax for the first \$15,000 of income received by an individual for employment as child care staff in a registered family day care home or licensed child care center. The amount of the subtraction allowed is reduced by the amount by which the individual's federal adjusted gross income exceeds \$15,000 and phases out if federal adjusted gross income exceeds \$30,000.

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 by approximately \$22.0 million in FY 2001. Future years reflect reduced State income tax rates and constant number of child care employees. No effect on expenditures.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	(\$22.0)	(\$21.8)	(\$21.6)	(\$21.6)	(\$21.6)
GF Expenditures	0.0	0.0	0.0	0.0	0.0
Net Effect	(\$22.0)	(\$21.8)	(\$21.6)	(\$21.6)	(\$21.6)

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

Local 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, local government revenues would decrease by approximately \$12.1 million in FY 2001.

Small Business Effect: Potential meaningful. Small businesses that operate as a licensed child care center may be able to recruit staff easier. In addition sole-proprietors of registered

child care homes would have a reduced State income tax liability.

Analysis

Current Law: No subtraction modification of this type exists.

State Fiscal Effect: General fund revenues would decrease by approximately \$22.0 million in fiscal 2001 based on the following facts and assumptions:

- there are an estimated 35,700 child care employees in Maryland;
- the average salary of child care workers is \$17,285; and
- approximately 25% have a federal adjusted gross income of \$15,000; 50% have a federal adjusted gross income of \$17,850; and 25% have a federal adjusted gross income of \$19,570.

Future years reflect reduced State income tax rates and a constant number of child care employees. The estimate assumes that all tax year losses will occur in the subsequent fiscal year.

Local Fiscal Effect: Local revenues would decline by approximately 2.67% of the total subtraction taken, or 55% of the State loss for the subtraction in fiscal 2001. Based on the estimate above, local government revenues would decrease by approximately \$12.1 million in fiscal 2001. Future year losses reflect an increased average local tax rate.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller of the Treasury (Bureau of Revenue Estimates), Department of Human Resources (Child Care Administration), The Maryland Committee for Children, Department of Legislative Services

Fiscal Note History: First Reader - March 17, 2000
drg/jr

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