

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 790 (Senator Mooney, *et al.*)
Budget and Taxation

Constitutional Amendment - Rebate of Revenue Surplus to Individual Income
Taxpayers

This bill proposes a constitutional amendment that would rebate to individual income taxpayers any general fund surplus (less the Comptroller's costs for providing this rebate) if the surplus is 2% or greater. As soon as possible after each legislative session, the Comptroller is to report the estimated amount of general fund revenues as of July 1, adjusted for changes in laws adopted during that session. As soon as possible after June 30, the Comptroller must report the general fund revenues actually collected.

If actual revenues collected during the fiscal year exceed the estimate by 2% or more, a rebate will be paid. Each taxpayer will receive a percentage of the taxpayer's prior year tax liability, unless the rebate is less than \$10. That percentage will be the amount of the surplus, less administrative costs, divided by the total individual income tax liability for the prior tax year. Rebates shall be mailed by December 1, or for those taxpayers who file on or after August 15, as soon as possible.

Fiscal Summary

State Effect: Potential reduction in general fund revenues. Expenditures would increase by an estimated \$915,200 in FY 2003, and could increase by \$2.0 million in any year in which a rebate is issued, but would be deducted from any amount rebated.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

State Fiscal Effect: Had this amendment been in effect for the last five fiscal years, rebates would have been issued in fiscal 1997, fiscal 1998, fiscal 1999, and fiscal 2000 totaling about \$207 million, \$371 million, \$548 million, and \$703 million, respectively. The average tax liability for the 2,039,428 taxable returns filed in 1999 was \$1,936. Based on this, each taxable return would be eligible for a rebate of approximately \$345 in 2000.

The Office of the Comptroller would incur computer programming costs of \$915,200 to make adjustments to the tax processing system. These costs could possibly be included in administrative costs the first time a rebate is issued. In any year in which rebates were issued, costs would increase by about \$2.0 million, including costs for processing time; digital storage; 2 million checks, envelopes, and postage; one million form 1099-Gs and postage (the 1099-G reports refunds); and bank processing fees, among other items. These costs would be deducted from the total amount rebated, however.

Additional Information

Prior Introductions: This bill was introduced as SB 603 in the 1998 session. It received an unfavorable report from the Senate Budget and Taxation Committee.

Cross File: HB 477 (Delegate Greenip, *et al.*) – Ways and Means.

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

Fiscal Note History: First Reader – February 22, 2001
ef/cer

Analysis by: Michael D. Sanelli

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