HB 1262

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

House Bill 1262 (Delegate Bozman)

Ways and Means Budget and Taxation

Tax Credits for Employer-Provided Commuter Benefits - Qualified Distressed Counties

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This bill increases from $30 to $40 the maximum credit per month allowed under the Tax Credit for Employer-Provided Commuter Benefits with respect to employees whose place of employment is in a "qualified economically distressed county." In order to claim the enhanced credit, employers must receive approval from the Maryland Department of Transportation (MDOT). For each distressed county, MDOT may not approve enhanced credits for more than 0.5% of the total employees in that county.

The bill takes effect July 1, 2001 and applies to all taxable years beginning after December 31, 2001.

Fiscal Summary

State Effect: General fund and Transportation Trust Fund (TTF) revenue decrease depending on the number of employees for whom the credit is claimed. Based on current participation levels, total revenues would decline by approximately $43,200 in FY 2003. No effect on expenditures.

Local Effect: Local government revenues would decline as a result of corporate taxpayers claiming the credits proposed in the bill. Seventy-five percent of corporate tax revenues is distributed to the general fund and 25% is distributed to the TTF. Of the 25% distributed to the TTF, approximately 30% is distributed to local jurisdictions.

Small Business Effect: Minimal.

Analysis

Bill Summary: Economically distressed counties are counties where the average unemployment rate over the past two years is 150% of the State average, or where the average per capita income over the past two years is 67% or less of the State average.

Current Law: A tax credit exists for employers that provide commuting benefits to their employees. The credit is equal to 50% of the cost of ride-share commuting expenses provided by the employer, subject to a maximum credit of $30 per employee per month. Eligible employer-provided commuter expenses are those that cover multiple-seating vehicle transportation costs and mass-transit transportation costs. In addition, Chapters 356 and 357 of 2000 provided for a credit against the State income tax for employers who provide employees a "cash in lieu of parking program" or a "guaranteed ride home." Chapters 356 and 357 also allow specified tax-exempt organizations to apply tax credits allowed for employer-provided commuter benefits as a credit against the payment of employee withholding taxes required to be withheld from the wages of employees and paid to the Comptroller.

State Fiscal Effect: The actual cost of the bill cannot be reliably estimated and depends on the number of employees in distressed counties who use transportation covered by the credit program.

Seven jurisdictions -- Baltimore City, Allegany, Caroline, Dorchester, Garrett, Somerset, and Worcester counties -- qualify as economically distressed counties as defined by the bill. Private sector employment in those jurisdictions is 380,020 and has grown by 1% over the past three years. The Mass Transit Administration (MTA) indicates there are six employers in Baltimore City and two in Worcester County that were registered to take the Commuter Tax credit in calendar 2000. Credits were claimed for 360 employees. These employees represent approximately .09% of the total private sector employment in the distressed jurisdictions. Based on this information, the cost of increasing the credit by $30 to $40 would reduce revenues by $43,200 (360 employees x $10 x 12 months).

As a point of reference, if the credit was claimed for 0.5% of employees in all currently distressed counties, revenues would decrease by approximately $228,000.

Credits taken on personal income tax returns would reduce general fund revenues in the amount of the credits. Because 75% of all corporate income tax revenues is distributed to the general fund and 25% is distributed to the TTF, credits taken on corporate income tax returns will reduce general fund revenues by 75% of the amount of the credits taken, and TTF revenues will be reduced by 25% of the credits taken. In addition, 30% of the 25% of revenue distributed to the TTF is distributed to local governments. At this time, the number of credits expected to be claimed on personal or corporate income tax returns cannot be reliably estimated.

Local Fiscal Effect: Local government revenues would decline as a result of corporate taxpayers claiming the credits proposed in the bill. As mentioned above, 75% of corporate tax revenues is distributed to the general fund and 25% is distributed to the TTF. Of the 25% distributed to the TTF, approximately 30% is distributed to local jurisdictions.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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