SB 892

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 892 (Senators McFadden and Ruben)
Budget and Taxation

Downtown Commuter Benefits Act of 2001

This bill expands the existing Commuter Tax Credit to allow a business entity to claim a credit against the State income tax for the business entity's costs of providing funds for the development and operation of a "downtown employee commuter shuttle." The amount of the credit is equal to 50% of funds provided, up to a maximum of $30 per employee per month.

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) revenues would decrease beginning in FY 2003 depending on the number of employers who provide funds for a downtown employee commuter shuttle and the number of employees using the shuttle service. *Under one set of assumptions* (400 participating employees), revenues could decrease by $144,000.

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 are distributed to the general fund and 25% are distributed to the TTF. Of the 25% distributed to the TTF, approximately 30% is distributed to local jurisdictions.

Small Business Effect: Potential meaningful. To the extent that small businesses participate in the program and have employees in the program, these businesses could realize reduced income tax liabilities.

Analysis

Bill Summary: A downtown employee commuter shuttle is defined as mass transit service, other than a taxi service, that provides transportation to the business entity's employees at no additional cost or at a reduced fare.

Current Law: Chapters 559 and 560 of 1999 created a tax credit 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. The credit is not refundable and may not be carried forward. Chapters 356 and 357 of 2000 expanded the existing credit and established a credit against the State income tax for employers who provide employees a "cash in lieu of parking program" or a "guaranteed ride home." Specified tax-exempt organizations may apply tax credits allowed for employer-provided commuter benefits as a credit against the payment of employee wage withholding taxes.

State Fiscal Effect: The cost of the bill cannot be reliably estimated. The extent of general fund and TTF revenue reductions depends on the number of employers who provide funds for a downtown employee commuter shuttle and the number of employees using the shuttle service. Employers are eligible to a credit equal to 50% of funds provided by the employer, subject to a maximum credit of $30 per employee per month.

For illustrative purposes, if it is assumed that 20 employers provide funds to develop and operate a downtown shuttle service and that an average of 20 employees per employer participate, and that the maximum $30 credit is claimed for each employee per month, revenues would decrease by approximately $144,000 annually (20 employers x 20 employees x $30 credit x 12 months). Revenues would decrease beginning in fiscal 2003.

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 are distributed to the general fund and 25% are distributed to the TTF, credits taken on corporate income tax returns would reduce general fund revenues by 75% of the amount of the credits taken, and TTF revenues would 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 are distributed to the general fund and 25% are 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: HB 1452 (Delegate Marriott, *et al.*) – Ways and Means.

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

Fiscal Note History: First Reader – March 21, 2001
ef/jr

Analysis by: Michael Sanelli

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