

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 153 (Senator Teitelbaum, *et al.*)
Budget and Taxation and Finance

**Income Tax - Subtraction Modification for Registered Nurses Returning to
Nursing**

This bill provides for a subtraction modification under the Maryland income tax for the first \$5,000 of compensation received by an individual during the taxable year for employment in the State as a registered nurse in a hospital or related institution. The subtraction may be claimed only if the individual: (1) was previously employed as a registered nurse in the State; (2) for a consecutive period of at least three years ending on or after the beginning of the preceding taxable year, was not employed as a registered nurse in the State; and (3) as of the end of the current taxable year, has been employed full-time as a registered nurse for at least a full year after the period of absence from the nursing profession.

The bill takes effect July 1, 2001 and applies to all taxable years beginning after December 31, 2000.

Fiscal Summary

State Effect: General fund revenues would decrease by \$238 for every subtraction taken beginning in FY 2003. The total decrease depends on the number of individuals who return to nursing and claim the subtraction modification, which cannot be reliably estimated at this time. Special fund revenue increase resulting from license renewals beginning in FY 2002.

Local Effect: Local government revenue decrease of \$139 for every State subtraction taken.

Small Business Effect: Minimal.

Analysis

Current Law: No subtraction modification of this type exists under the Maryland income tax.

Background: There is a nationwide nursing shortage due to a large number of retiring nurses, coupled with the fact that few people are currently choosing nursing as a career. In addition, given the rapid aging of the population, both in Maryland and nationally, more nurses will be needed in the near future. This bill seeks to address this issue by providing a tax incentive to encourage nurses who have been out of the nursing profession for at least three years to return to nursing.

The Commission on the Crisis in Nursing is required to issue an interim report to the General Assembly by January 1, 2001. The report has been delayed and is expected to be issued by February 1, 2001.

The Maryland income tax provides tax incentives in the form of subtraction modifications to encourage individuals to provide services that are considered to be in short supply. These subtractions apply to individuals who belong to a volunteer fire, rescue, or emergency services organization, the U.S. Coast Guard Auxiliary, and volunteer police officers.

State Fiscal Effect: The actual cost of the bill cannot be reliably estimated because it is not known how many individuals would return to nursing because of the bill. However, as a point of reference, general fund revenues would decrease by \$237.50 (\$5,000 x 4.75%) beginning in fiscal 2003 (tax year 2002) for every registered nurse who returns to nursing in tax year 2001. Nurses must work for one year before being eligible to claim the subtraction. *For illustrative purpose only*, if 500 individuals returned to nursing and took the subtraction modification provided by the bill in tax year 2002, general fund revenues would decrease by \$118,750 in fiscal 2003.

The State Board of Nursing advises that there are 46,675 registered nurses actively working in Maryland as of December 31, 2000. An additional 3,342 were not working, but had inactive licenses.

Special fund revenues would increase \$30 for every individual returning to nursing as a result of having to pay a license renewal fee.

Local Fiscal Effect: Total local government revenues would decrease by \$138.50 for every subtraction taken ($\$5,000 \times 2.77\%$) in tax year 2002. Based on the illustration above, local government revenues would decrease by \$69,250 in fiscal 2003.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller of the Treasury (Bureau of Revenue Estimates), State Board of Nursing, Department of Legislative Services

Fiscal Note History: First Reader – January 29, 2001
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