

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

Senate Bill 24 (Senator Teitelbaum)
 Budget and Taxation

**Income Tax - Subtraction Modification for Nurses Providing Patient Care
 Services in Nursing Homes**

This bill provides a subtraction modification under the Maryland income tax for the first \$2,000 of income received by “licensed practical nurses” and “registered nurses” who directly provide health-related or personal care to individuals in a nursing home.

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

Fiscal Summary

State Effect: General fund revenue decrease of approximately \$739,800 in FY 2002. Future years reflect a 1.34% increase in the number of individuals taking the subtraction. No effect on expenditures.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
GF Revenue	(\$739,800)	(\$741,900)	(\$751,800)	(\$761,885)	(\$772,100)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$739,800)	(\$741,900)	(\$751,800)	(\$761,885)	(\$772,100)

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

Local Effect: Local government revenue decrease of approximately \$422,300 in FY 2002.

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.

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 United States Coast Guard Auxiliary, and volunteer police officers.

State Fiscal Effect: General fund revenues would decrease by approximately \$739,800 in fiscal 2002 based on the following facts and assumptions:

- there were 4,625 registered nurses and 2,979 licensed practical nurses registered as working in nursing homes as of December 31, 2000; and
- all eligible individuals eligible for the subtraction will claim the full \$2,000.

The revenue reduction is estimated to increase by approximately 1.34% annually, which represents the average increase in the number of individuals ages 65 and over in Maryland from 2000 to 2005. To the extent that all individuals eligible for the subtraction are not able to claim the full \$2,000, the cost will be less than the estimate. To the extent that the subtraction encourages more nurses to work in nursing homes, the cost could increase.

It is assumed that the revenue decrease will occur in the fiscal year following the year that the income tax return was filed.

Local Fiscal Effect: Local revenues would decrease by approximately 2.74% of the total amount subtracted (or 57% of the State loss) in fiscal 2002. Based upon the estimate above, it would be approximately \$422,300 in 2002.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader – January 15, 2001
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