

Department of Legislative Services

Maryland General Assembly

2001 Session

FISCAL NOTE**Revised**Senate Bill 224 (Senator Baker, *et al.*)

Budget and Taxation

Ways and Means

Public Safety Officer Survivor Benefits - Income Tax Subtraction Modification

This bill provides for an income tax subtraction modification for a death benefit paid from a pension system to the surviving spouse or other beneficiary of a “law enforcement officer” or fire fighter who dies in the course of employment as a law enforcement officer or fire fighter. Law enforcement officer includes all sworn law enforcement officers under Maryland law, sworn law enforcement officers of the United States, another state, or political subdivision of another state.

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

Fiscal Summary

State Effect: General fund revenue decrease beginning in FY 2002. The amount of the decrease cannot be reliably estimated and depends on several factors including the number individuals for whom survivor benefits are paid each year, and the amount in benefits that are received. *Under one set of assumptions*, general fund revenues would decrease by approximately \$17,600 in FY 2002.

Local Effect: Local government revenues would decrease by approximately 2.74% of the total State subtraction taken. Based on the example above, local government revenues would decrease by approximately \$10,000 in FY 2002.

Small Business Effect: None.

Analysis

Current Law: A subtraction modification is allowed for a payment from a pension system for a disability or injury that arose out of and in the course of employment as a policeman or firefighter.

Background: The State Retirement and Pension System includes two subsystems for State law enforcement officers and certain other public safety officers: the State Police Retirement System and the Law Enforcement Officers' Pension System (LEOPS). The State Police system is open to State Troopers and includes 1,636 active members and 1,388 retirees and beneficiaries. The Maryland Chapter of Concerns of Police Survivors advises that it is currently paying death benefits to 13 spouses and other beneficiaries of troopers killed in the line of duty since 1972.

Membership in LEOPS includes the following public safety employees:

- Department of Natural Resources police and rangers;
- Maryland Investigative Services Unit officers (Comptroller's Office);
- Maryland Transportation Authority police officers;
- Baltimore City Deputy Sheriffs;
- University of Maryland police officers;
- Morgan State University police officers;
- State Fire Marshal and Deputy State Fire Marshals;
- law enforcement officers employed by a participating governmental unit that on or after July 1, 1999 has elected to participate in LEOPS;
- Maryland Aviation Administration Fire Rescue Service officers;
- Department of General Services police officers;
- Department of Health and Mental Hygiene police officers;
- Motor Vehicle Administration police officers; and
- Department of Labor, Licensing, and Regulation police officers.

There are currently 1,130 active members of LEOPS and 206 retirees and beneficiaries. The State Retirement Agency is not aware of any "line-of-duty" death benefits being paid to beneficiaries of LEOPS members.

Survivor benefits paid to beneficiaries of individuals killed in the line of duty are not taxable in Delaware or Pennsylvania. In Virginia, benefits are taxable to the extent that they are taxable by the federal government.

State Fiscal Effect: The cost of the bill cannot be reliably estimated and depends on several factors including the number of individuals for whom survivor benefits are paid each year, and the amount in benefits that are received.

The State Police Retirement System and LEOPS are currently paying 68 survivors of law enforcement officers approximately \$1.42 million per year. However, it is not known how many of these were from deaths in the line of duty. A survey of several counties (Anne Arundel, Baltimore, Howard, Montgomery, and Prince George's), which represent 60% of the State population, indicates that these counties are making payments for survivor benefits for eight law enforcement officers killed in the line of duty in the cumulative amount of \$225,000 annually.

For illustrative purposes only, if it is assumed that 10% (\$142,000) of the total State payment went to survivors of law enforcement officers who were killed in the line of duty, there would be a statewide total of \$367,000 (\$142,000 + \$225,000) paid out in survivor benefits for law enforcement officers who were killed in the line of duty in tax year 2001. This would result in a general fund revenue loss of approximately \$17,600 in fiscal 2002.

Local Fiscal Effect: Local government revenues would decrease by approximately 2.74% of the total State subtraction taken. Based on the example above, local government revenues would decrease by approximately \$10,000 in fiscal 2002.

Additional Comments: SB 275 of 2001 would increase the amount of the line of duty death benefits for State Police Survivors from 50% to two-thirds of the member's average final compensation.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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