

Department of Legislative Services  
 Maryland General Assembly  
 2001 Session

FISCAL NOTE

House Bill 1438 (Delegate Dobson, *et al.*)  
 Ways and Means

School Mentoring Programs - Participation by Employees - Tax Credit for Employers

This bill creates a credit against the State income tax in an amount equal to 50% of the compensation paid by an individual or corporation to an employee who is granted leave with pay to participate in a mentoring program at an elementary school or secondary school in the State. The credit is limited to 12 days of compensation per employee and may not exceed the State income tax in any year. Any unused credit may be carried forward for up to ten years.

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

Fiscal Summary

**State Effect:** General fund and Transportation Trust Fund (TTF) revenue decrease of approximately \$888,300 in FY 2002. Future year reductions reflect an increased number of mentors and inflation. No effect on expenditures.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
GF/SF Rev.	(\$888,300)	(\$960,700)	(\$1,039,000)	(\$1,123,700)	(\$1,215,300)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$888,300)	(\$960,700)	(\$1,039,000)	(\$1,123,700)	(\$1,215,300)

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

**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% are distributed to local jurisdictions.

**Small Business Effect:** Potential meaningful. To the extent that employees of small businesses become mentors, their employers could incur reduced income tax liabilities.

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## Analysis

**Current Law:** None applicable.

**State Fiscal Effect:** According to information provided by the Maryland State Mentoring Resource Center, an estimated 27,500 students are being mentored by 9,500 mentors. Approximately 10% - 12% of the mentors do so through a private sector employer, 51% through nonprofit organizations, community groups, churches, etc., and 21% through government agencies.

General fund and TTF revenues could decrease by approximately \$888,312 in fiscal 2002, based on the following facts and assumptions:

- There are approximately 1,045 private sector mentors in the State in fiscal 2001; this number is estimated to increase by 5% annually.
- The average weekly wage is \$655; this amount is estimated to increase by 3% annually for inflation.

To the extent that the bill encourages more private sector, employer-provided mentors, the cost of the bill would increase accordingly.

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 are 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% are distributed to local jurisdictions.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller of the Treasury (Bureau of Revenue Estimates), Maryland State Department of Education, Maryland State Mentoring Resource Center, Department of Legislative Services

**Fiscal Note History:** First Reader – March 20, 2001  
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Analysis by: Michael Sanelli

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