

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE
Revised

House Bill 19 (Delegate Leopold, *et al.*)

Ways and Means

Budget and Taxation

Income Tax - Subtraction Modification - Police Auxiliary or Reserve Volunteer

This bill alters the application of the \$3,500 subtraction modification under the Maryland income tax for individuals if they are a qualifying police auxiliary or reserve volunteer for the taxable year. Current law provides that volunteer police officers are eligible for this subtraction modification. The bill also replaces the length of service requirement with participation in a police auxiliary or reserve volunteer program approved by the Police Training Commission.

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 of \$20,160 in FY 2002. Future year losses reflect a 2% increase in the number of individuals eligible for the subtraction and a new top marginal tax rate.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
GF Revenue	(\$20,160)	(\$20,350)	(\$20,750)	(\$21,200)	(\$21,600)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$20,160)	(\$20,350)	(\$20,750)	(\$21,200)	(\$21,600)

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

Local Effect: Total local government revenue loss of approximately \$11,500 in FY 2002. Future year losses will increase by 2% annually.

Small Business Effect: None.

Analysis

Current Law: Qualified volunteer police officers are eligible for a subtraction modification under the Maryland income tax of \$3,500.

Background: This bill modifies a program that was enacted in 1997. However, due to definitional problems that are addressed by this bill, no subtractions have been allowed by the Comptroller's Office.

State Fiscal Effect: The Police Training Commission estimates that there are 120 police auxiliary or reserve volunteers in the State who would qualify for the subtraction in tax year 2001, which would result in a total subtraction of \$420,000. Based on the top marginal tax rate for 2001, general fund revenues would decrease by \$20,160 in fiscal 2002 when tax year 2001 income tax returns are filed. This revenue decrease is estimated to increase by 2% annually, reflecting new individuals becoming eligible for the subtraction modification.

There is no effect on expenditures.

Local Fiscal Effect: Total local government revenues would decrease by 2.74% of the total State subtraction taken. Based upon the estimate above, the amount would be approximately \$11,500 in fiscal 2002. Future year losses are estimated to increase by 2% annually.

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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