

**Department of Legislative Services**

Maryland General Assembly

2001 Session

**FISCAL NOTE**

House Bill 159 (Delegate Mitchell)

Ways and Means

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**Income Tax - Subtraction Modification for Unemployment Compensation**

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This bill provides for a subtraction modification under the Maryland income tax for a payment received as unemployment compensation.

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

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**Fiscal Summary**

**State Effect:** General fund revenue decrease of approximately \$11.0 million in FY 2002. Based on current economic forecasts, future year (through FY 2006) losses are expected to remain relatively constant. No effect on expenditures.

**Local Effect:** Local government revenue decrease of approximately \$6.3 million beginning in FY 2002.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Unemployment compensation is subject to the Maryland income tax.

**State Fiscal Effect:** Based on the income tax microsimulation model, and prior year tax return data, general fund revenues would decrease by approximately \$11.0 million in fiscal 2002. Future year losses are difficult to predict and depend on several economic factors, including the unemployment rate and growth in personal income, as well as the

overall state of the economy in general. However, based on current economic forecasts, losses are expected to remain relatively constant. Should these forecasts change, or if the state of the economy changes, revenues losses would vary accordingly.

As a point of reference, 99,637 Maryland residents received approximately \$288 million in unemployment compensation in fiscal 1999, and 94,443 residents received approximately \$277 million in fiscal 2000. The average weekly benefit in fiscal 2000 was \$208. The maximum weekly benefit was \$280.

In fiscal 1991 153,147 residents received approximately \$409 million in unemployment compensation; in fiscal 1992 152,816 received nearly \$500 in unemployment compensation.

**Local Fiscal Effect:** Local government revenues would decrease by 2.74% of the total State subtraction taken for unemployment compensation received. Based on the above data, this loss would be approximately \$6.3 million annually, beginning in fiscal 2002.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller of Treasury (Bureau of Revenue Estimates), Office of Unemployment Insurance, Department of Legislative Services

**Fiscal Note History:** First Reader – January 29, 2001  
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Analysis by: Michael Sanelli

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