

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 861
Ways and Means

(Delegates La Vay and Sher)

Tax Credit for Cost of Automated External Defibrillator

This bill provides that an individual or business entity may claim a credit against the State income tax equal to 25% of the purchase price of one “automated external defibrillator” (AED) during a taxable year. The credit is only applicable if the defibrillator is used in the individual’s or business entity’s place of business. The amount of the credit is limited to the lesser of \$1,000 or the State income tax. Any unused amount may not be carried forward to another taxable year.

The bill takes effect July 1, 2002 and applies to all taxable years beginning after December 31, 2002.

Fiscal Summary

State Effect: Potentially significant general fund revenue decrease. The actual cost of the bill cannot be reliably estimated and depends on the number of AEDs purchased, the cost of each, and the purchaser’s income tax liability.

Local Effect: Local government revenues would decline as a result of corporate taxpayers claiming the credit proposed by the bill. Seventy-five percent of corporate tax revenues are distributed to the general fund, and 25% is distributed to the Transportation Trust Fund (TTF). Of the 25% distributed to the TTF, approximately 30% is distributed to local jurisdictions.

Small Business Effect: Minimal.

Analysis

Bill Summary: An automated external defibrillator is defined as a medical heart monitor and defibrillator device that: (1) is cleared for market by the federal Food and Drug Administration; (2) recognizes the presence or absence of ventricular fibrillation or vapid ventricular tachycardia; (3) determines, without intervention by an operator, whether defibrillation should be performed; (4) after a determination that defibrillation should be performed, automatically charges; and (5) operates in a manner that requires operator intervention to deliver an electrical impulse or automatically continues with delivery of an electrical impulse.

Current Law: None applicable.

Background: AEDs are about the size of a laptop computer. They are able to analyze a victim of cardiac arrest's cardiac rhythm and then charge to an appropriate energy level, and deliver a defibrillation charge, if directed to by the operator. This electrical charge is delivered through adhesive pads placed on the victim's chest.

State Fiscal Effect: The actual cost of the bill cannot be reliably estimated and depends on the number of AEDs purchased, the cost of each, and the purchaser's income tax liability.

Based on information gathered from the internet, AEDs cost from \$3,000 to \$3,500. Based on these prices, the amount of the credit claimed would be between \$750 and \$875 for each unit purchased.

Assuming that 500 AEDs were purchased at \$3,000 per unit, revenues would decrease by approximately \$375,000 ($500 \times \$3000 \times 25\%$). However, at this time, it is difficult to estimate how many AEDs would be purchased in a given year.

Of those that are credits claimed by corporations, 75% of the credit would be a loss of general fund revenue and 25% would be a loss of TTF revenue. At this time, the number of credits expected to be claimed on personal or corporate income tax returns cannot be reliably estimated.

The Office of the Comptroller advises that it would incur one-time computer programming costs of \$42,400 to add the credit to the tax forms. The Department of Legislative Services advises that since forms and instructions are updated annually, the costs for form changes resulting from this bill could be absorbed within existing resources.

Local Fiscal Effect: Local government revenues would decline as a result of corporate taxpayers claiming the credit proposed by the bill. As mentioned above, 75% of corporate tax revenues are distributed to the general fund, and 25% is distributed to the TTF. Of the 25% distributed to the TTF, approximately 30% is distributed to local jurisdictions.

Additional Information

Prior Introductions: None.

Cross File: SB 786 (Senator Teitelbaum) – Budget and Taxation.

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

Fiscal Note History: First Reader - March 5, 2002
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