

Department of Legislative Services  
Maryland General Assembly  
2002 Session

FISCAL NOTE

House Bill 278 (Delegate Edwards)  
Ways and Means

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Income Tax - Nonresident Shareholders, Partners, and Limited Liability  
Company Members

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This bill requires the Comptroller to allow an S corporation, partnership, or limited liability company that files a composite return on behalf of nonresident shareholders, partners, or members to reduce its tax payment by the amount of any tax credits that the nonresident shareholders, partners, or members are entitled to claim based on the activities of the S corporation, partnership, or limited liability company.

The bill takes effect July 1, 2002 and applies to all taxable years beginning after December 31, 2001.

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Fiscal Summary

**State Effect:** The bill would not materially affect State revenues because the overall amount of credits claimed would be approximately the same as under current law.

**Local Effect:** The bill would not materially affect local government revenues.

**Small Business Effect:** Minimal.

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Analysis

**Current Law:** Tax credits for an S corporation, partnership, or limited liability company that files a composite return on behalf of nonresident shareholders, partners, or members may be claimed by these individuals by filing a Maryland individual income tax return.

**State Fiscal Effect:** Revenues would not be directly affected because tax credits that may now be claimed by nonresident shareholders, partners, or members of an S corporation, partnership, or limited liability company on individual income tax returns would now be allowed to be claimed by the entity (S corporation, partnership, or limited liability company) on a composite return. As a result, it is estimated the total amount of credits eligible to be claimed would be about the same.

**Additional Comments:** The Comptroller advises that the bill would be difficult to administer, by both the Comptroller and the taxpayers involved, due to the complexity of the large number of credits available to taxpayers, as well as the various carryover and refundability provisions of many of the credits. It would be difficult to determine the amounts of the credits to which each individual would be entitled.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - January 28, 2002  
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Analysis by: Michael Sanelli

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