HB 339

Department of Legislative Services

Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 339 (Delegate Carlson, *et al.*)

Ways and Means Budget and Taxation

Commuter Benefits Act 2002

This bill increases from $30 to $50 the maximum credit per employee per month allowed under the Tax Credit for Employer-Provided Commuter Benefits.

The Department of the Environment (MDE) and the Department of Transportation (MDOT) are required to include the Tax Credit for Employer-Provided Commuter Benefits in the State's plan for meeting the requirements of the federal Clean Air Act amendments of 1990. Finally, the bill requires MDE and MDOT to implement an extensive outreach program to market the tax credit and to report to the General Assembly on or before January 1, 2003 on the outreach program.

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

Fiscal Summary

State Effect: General fund and Transportation Trust Fund (TTF) revenue decrease of up to approximately $132,500 in FY 2003. Future years reflect a 10% annual increase in participating employers. No effect on expenditures.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF/SF Rev.	($132,500)	($136,900)	($141,800)	($147,100)	($153,000)
Expenditure	$0	$0	$0	$0	$0
Net Effect	($132,500)	($136,900)	($141,800)	($147,100)	($153,000)

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 is 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.

Small Business Effect: Minimal.

Analysis

Current Law: A tax credit exists for employers that provide commuting benefits to their employees. The credit is equal to 50% of the cost of ride-share commuting expenses provided by the employer subject to a maximum credit of $30 per employee per month. Eligible employer-provided commuter expenses are those that cover multiple-seating vehicle transportation costs and mass transit transportation costs. In addition, Chapters 356 and 357 of 2000 provided for a credit against the State income tax for employers who provide employees a "cash in lieu of parking program" or a "guaranteed ride home." Chapters 356 and 357 also allow specified tax-exempt organizations to apply tax credits allowed for employer-provided commuter benefits as a credit against the payment of employee withholding taxes required to be withheld from the wages of employees and paid to the Comptroller.

State Fiscal Effect: In tax year 2000, 48 employers enrolled 1,650 employees in the commuter benefits tax credit program administered by the Mass Transit Administration (MTA). These employers intended to claim approximately $497,000 in tax credits. In tax year 2001, 43 employers enrolled 2,191 employees in the program with the intention of claiming approximately $576,000 in tax credits.

According to the Comptroller's Office, in tax year 2000, the first year the credit was available, $102,076 was claimed in tax credits by 15 taxpayers. No data is available for tax year 2001.

Assuming participation levels similar to those in tax years 2000 and 2001, a $20 per employee per month increase in the amount of the credit could reduce State revenues by up to $88,300 annually beginning in fiscal 2003, if all those employers registering for the program claim the full $20 per employee, and all the credits for which they registered. This estimate is based on the following:

- An average of 46 employers participate in the tax credit program, with an average of 1,920 employees enrolled.
- Each employer pays benefits for approximately 42 employees per month.

- Only an estimated 20% of enrolled employees (8 per employer) would be affected by the increase in the amount of the credit because they take MARC Train or Commuter Bus; MARC monthly passes cost $82 to $287.
- The remaining 80% of enrolled employees would not be impacted by the increase in the amount of the credit because they work in the Baltimore area and the cost of an MTA monthly pass for Metro Subway, Light Rail, Local Bus, and Neighborhood Shuttles is $54.

However, the MTA advises that it is in the process of increasing its marketing of this tax credit program significantly. MTA estimates that this marketing effort could increase the number of employers participating in the tax credit program by 50% in tax year 2002 and by 10% each year thereafter. The cost of the bill would be impacted as well. Using the same assumptions outlined above, it is estimated that State revenues could decrease by up to an additional $44,160 in tax year 2002 (23 employers x 8 eligible employees x $20 x 12 months) for a total decrease of up to approximately $132,480 in fiscal 2003.

To the extent that not all credits signed up for are claimed, the cost would be lower.

The Comptroller's Office estimates the cost of the bill to be approximately $27,500 for fiscal 2003 based on the amount of credits claimed for tax year 2000. Because approximately two-thirds of corporate taxpayers have no income tax liability, the Comptroller's Office assumes that two thirds of the employers enrolled in the program will have no income tax liability and thus will not claim the credit.

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 is distributed to the general fund, and 25% is distributed to the TTF, credits taken on corporate income tax returns will reduce general fund revenues by 75% of the amount of the credits taken, and TTF revenues will be reduced by 25% of the credits taken. In addition, 30% of the 25% of revenue distributed to the TTF is 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 is 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: None.

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

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