

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 280 (Delegates Mitchell and Pendergrass)
 Ways and Means

Income Tax - Subtraction Modification for Unemployment Compensation

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, 2003 and applies to all taxable years beginning after December 31, 2002.

Fiscal Summary

State Effect: General fund revenue decrease of approximately \$13.4 million in FY 2004. Based on current economic forecasts, future year (through FY 2008) losses are expected to remain relatively constant. No effect on expenditures.

(\$ in millions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
GF Revenue	(\$13.4)	(\$13.4)	(\$13.4)	(\$13.4)	(\$13.4)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$13.4)	(\$13.4)	(\$13.4)	(\$13.4)	(\$13.4)

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

Local Effect: Local government revenue decrease of approximately \$7.9 million annually beginning in FY 2004.

Small Business Effect: None.

Analysis

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

State Fiscal Effect: Based on tax year 2001, income tax return general fund revenues would decrease by approximately \$13.4 million in fiscal 2004. 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, revenue losses would vary accordingly.

As a point of reference, 102,425 Maryland residents received approximately \$313 million in unemployment compensation in fiscal 2001, and 132,019 residents received approximately \$475 million in fiscal 2002. The average weekly benefit in fiscal 2002 was \$240, and the average duration of benefits was 15 weeks.

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

Local Fiscal Effect: Local government revenues would decrease by 2.8% of the total State subtraction taken for unemployment compensation received. Based on the above data, this loss would be approximately \$7.9 million annually, beginning in fiscal 2004.

Additional Information

Prior Introductions: This bill was introduced as HB 159 in the 2001 session. It received an unfavorable report from the House Ways and Means Committee.

Cross File: None.

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

Fiscal Note History: First Reader - February 11, 2003
s/jr

Analysis by Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510