

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1000
 Ways and Means

(Delegate Barkley, *et al.*)

Budget and Taxation

Maryland Cancer Fund - Income Tax Checkoff

This bill establishes a Cancer Fund checkoff on the individual income tax return form. After the Comptroller deducts administrative expenses, the contributions are credited to the fund and distributed by the Department of Health and Mental Hygiene (DHMH) through the annual budget process to eligible entities for cancer research, prevention, and treatment. The Secretary is required to report to the General Assembly annually on the administration of the fund.

The bill is effective July 1, 2004 and applies to tax years 2004 and beyond.

Fiscal Summary

State Effect: Minimal net increase in special fund revenues in FY 2005 and beyond. Special fund expenditures increase by approximately \$88,600 in FY 2005, which includes one-time tax form changes and the hiring of a contractual employee at DHMH to administer the program. Future year expenditures reflect annualized salaries, operating costs, and inflation.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
SF Revenue	-	-	-	-	-
SF Expenditure	88,600	55,500	58,700	62,100	65,800
Net Effect	(\$88,600)	(\$55,500)	(\$58,700)	(\$62,100)	(\$65,800)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Chesapeake Bay and Endangered Species Fund (CBESF) and the Fair Campaign Financing Fund (FCFF) are the two current checkoffs on the personal income tax form.

Background: In tax year 2003, approximately \$1.4 million was donated to CBESF and \$173,000 was donated to FCFF. A survey by the Federation of Tax Administrators identified 220 checkoff programs available to taxpayers in 41 states and the District of Columbia on state income tax returns filed for tax year 2002. Every state with a broad-based income tax has at least one checkoff program and some states have had to create a separate form just for checkoffs. The most common checkoffs are for wildlife protection, political campaigns, and child abuse prevention.

State Revenues: While the amount of donations cannot be accurately estimated, Legislative Services believes that there will be a minimal net increase in special fund revenues in fiscal 2005 and beyond. Donations to this checkoff would likely divert funds from the two existing personal income checkoffs: CBESF and FCFF. To the extent that the new checkoffs do not divert funds from the CBESF and FCFF checkoffs, net special fund revenues will increase by a greater amount.

State Expenditures: DHMH will require one contractual position to develop regulations, write requests for proposals for research grants, and assemble an expert contract review committee to make funding recommendations. Accordingly, DHMH expenditures would increase by an estimated \$45,591 in fiscal 2005 due to the costs associated with hiring one contractual program administrator I. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. Future year expenditures reflect: (1) a full salary with 4.5% increases, with 6.8% employee turnover; and (2) 1% annual increases in ongoing operating expenses. These costs would presumably be paid from the fund.

The Comptroller's Office reports that it would incur a one-time expenditure increase of \$43,000 to add the checkoff to personal income tax forms. This includes data processing changes to the SMART income tax return processing and imaging systems, and systems testing.

Additional Information

Prior Introductions: This bill was introduced in the 2003, 2002 and 2001 sessions. HB 882 of 2003 was not reported from the House Ways and Means Committee. HB 572 of 2002 received an unfavorable report from the House Ways and Means Committee. HB

590 of 2001 received an unfavorable report from the House Environmental Matters Committee.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Health and Mental Hygiene, Department of Legislative Services

Fiscal Note History: First Reader - March 14, 2004
ncs/mdr Revised - Enrolled Bill - May 4, 2004

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