

**Department of Legislative Services**  
Maryland General Assembly  
2004 Session

**FISCAL AND POLICY NOTE**

Senate Bill 350

(Senator Pipkin, *et al.*)

Budget and Taxation

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**Income Tax Checkoff System - Tax Me More Voluntary Account**

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This bill establishes a Tax Me More voluntary checkoff on the individual tax return form. After the Comptroller deducts administrative expenses, the contributions are distributed to an Education Trust Fund (ETF) established by the bill. The ETF is a special, nonlapsing fund that receives the net proceeds from the Tax Me More voluntary account to fund the Bridge to Excellence in Public Schools Act of 2002 (Chapter 288 of 2002).

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

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**Fiscal Summary**

**State Effect:** Minimal net increase in special fund revenues in FY 2005 and beyond. Special fund expenditures increase by approximately \$43,000 in FY 2005, which includes one-time tax form changes and computer programming expenditures.

**Local Effect:** None.

**Small Business Effect:** None.

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**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. The corporate income tax form has no checkoffs.

**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.

In tax year 2002, three states had checkoffs dedicated for educational purposes. Data were available for only two of the states. Utah has two checkoffs, one for colleges and a second for school district foundations. An average of \$13.57 was donated on 0.54% of returns for tax year 2002 for a total of \$65,000. Arizona's Aid to Education fund checkoff produced an average of \$51.04 per return on 0.029% of returns for tax year 2002. The high average donation per return is partly due to the fact that taxpayers must donate their entire refund if they wish to contribute to this checkoff.

Although not an educational checkoff, Arkansas in 2001 created a fund that allows citizens to mail voluntary contributions to the state's general fund. Approximately \$3,000 has been contributed since the inception of the fund.

**State Revenues:** While the amount of donations cannot be accurately estimated, based on the experiences of other states, 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 checkoff does not divert funds from the CBESF and FCFF checkoffs, net special fund revenues will increase by a greater amount.

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

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - March 22, 2004  
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