

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 1362 (Delegate Hixson, *et al.*)
 Ways and Means

Tax Credit for Cost of Automated External Defibrillator

This bill creates a tax credit against the State income tax equal to 25% of the purchase price of one “automated external defibrillator” (AED) during a taxable year. The credit is only applicable if the defibrillator is used in the individual’s or business entity’s place of business. The amount of the credit cannot exceed \$500 or the tax liability for that year. Any unused amount may not be carried forward to another taxable year.

The bill takes effect July 1, 2004 and applies to tax year 2004 and beyond.

Fiscal Summary

State Effect: General fund revenue loss of approximately \$581,900 in FY 2005 due to credits being claimed against the personal and corporate income tax. Transportation Trust Fund (TTF) decrease of approximately \$127,700 in FY 2005 due to credits being claimed against the corporate income tax. Future year decreases reflect 20% annual increase in AED purchases. Special fund expenditure increase of \$50,000 in FY 2005, which includes one-time tax form changes and computer programming expenditures.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	(\$581,900)	(\$698,300)	(\$838,000)	(\$1,005,500)	(\$1,206,700)
SF Revenue	(127,700)	(153,300)	(183,900)	(220,700)	(264,900)
SF Expenditure	50,000	0	0	0	0
Net Effect	(\$759,600)	(\$851,600)	(\$1,021,900)	(\$1,226,200)	(\$1,471,600)

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

Local Effect: Local revenues would decline as a result of credits being claimed against the corporate income tax. Based on the assumption that 75% of the credits will be claimed against the corporate income tax, local revenues could decline by approximately \$38,300 in FY 2005. Future year losses increase by 20% annually.

Small Business Effect: Minimal.

Analysis

Bill Summary: An automated external defibrillator is defined as a medical heart monitor and defibrillator device that: (1) is cleared for market by the federal Food and Drug Administration; (2) recognizes the presence or absence of ventricular fibrillation or vapid ventricular tachycardia; (3) determines, without intervention by an operator, whether defibrillation should be performed; (4) after a determination that defibrillation should be performed, automatically charges; and (5) operates in a manner that requires operator intervention to deliver an electrical impulse or automatically continues with delivery of an electrical impulse.

Current Law: No State tax credit of this type exists. Businesses can typically deduct the purchase of AEDs as businesses expenses, resulting in a lower State tax liability.

Background: Most AEDs are about the size of a laptop computer. They are able to analyze a victim of cardiac arrest's cardiac rhythm and then charge to an appropriate energy level, and deliver a defibrillation charge, if directed to by the operator. This electrical charge is delivered through adhesive pads placed on the victim's chest.

The Federal Aviation Administration, in response to the Aviation Medical Assistance Act of 1998, issued a final ruling on April 12, 2001 which requires U.S. airlines to carry AEDs on planes that weigh 7,500 pounds each and have at least one flight attendant. The deadline for complying with this rule is May 12, 2004.

The State of New York has enacted two laws regarding AEDs. First, legislation in 2001 authorizes a \$500 credit for businesses and individuals that purchase AEDs after January 1, 2001. Revenue loss data from the credit is not yet available. Second, legislation enacted in 2002 requires primary and secondary schools to be equipped with AEDs.

State Revenue Effect: General and special fund revenues would decline by approximately \$709,560 in fiscal 2005. Future year decreases increase by 20%. This estimate is based on the following facts and assumptions:

- The National Center for Early Defibrillation estimates that there were 85,000 AED sales in 2002 and sales were estimated to increase by 20% in 2003. Assuming the number of sales in Maryland is proportional to population, 1,971 AEDs were purchased in Maryland in 2003.

- According to the American Heart Association, most AEDs cost \$3,000.
- 40% of Maryland AED purchases will not be eligible for the tax credit.

To the extent that AED purchases are greater than predicted, revenue losses could be significantly higher than estimated. For example, Cardiac Science, a leading manufacturer of AEDs, estimates that their AED sales will increase by 32% to 45% in 2004.

State Expenditures: The Comptroller's Office reports that it would incur a one-time expenditure increase of \$50,000 to add the tax credit to the personal and corporate 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: HB 861 of 2002, a similar bill, was not reported from the House Ways and Means Committee.

Cross File: None.

Information Source(s): American Heart Association, Comptroller's Office, National Center for Early Defibrillation, New York State Department of Taxation and Finance, Department of Legislative Services

Fiscal Note History: First Reader - March 12, 2004
mh/mdr

Analysis by: Robert J. Rehrmann

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