

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 36 (Delegate Miller)
 Ways and Means

Income Tax Checkoff - General Fund Contribution

This bill establishes a State general fund checkoff on the individual and corporate income tax return forms. After the Comptroller deducts administrative expenses, the contributions are distributed to the State general fund.

The bill is effective July 1, 2004 and applies to all tax years beginning after December 31, 2003.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues in FY 2005 and beyond due to general fund donations. Special fund expenditures increase by approximately \$86,000 in FY 2005, which includes one-time tax form changes and computer programming expenditures. FY 2005 expenditures greater than revenues.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	-	-	-	-	-
SF Expenditure	86,000	0	0	0	0
Net Effect	(\$86,000)	\$0	\$0	\$0	\$0

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. 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. No state has a voluntary contribution to state general fund checkoff. In recent years, representatives in several states including Colorado, Arizona, and Missouri have proposed adding general fund checkoffs. Although not a 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: General fund revenues could increase minimally in fiscal 2005 and beyond due to general fund donations. Donations to this checkoff would likely divert some funds from the two existing personal income checkoffs: CBESF and FCFF.

State Expenditures: The Comptroller's Office reports that it would incur a one-time expenditure increase of \$86,000 to add the checkoff to the personal and corporate income tax forms. This includes data processing changes to the SMART income tax return processing and imaging systems, and system testing.

While the amount of donations cannot be accurately estimated, based on the experience of the Arkansas program, Legislative Services believes that expenditures will be greater than general fund increases in fiscal 2005. There is a potential minimal general fund revenue increase in fiscal 2006 and beyond.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/mdr

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