

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 1400 (Delegate Goodwin)
Ways and Means

Income Tax - Credit for Homeland Security Expenses

This bill creates a tax credit against the State income tax for expenses incurred by a business or nonprofit organization in order to provide security to a building or housing development identified by the federal government or by State homeland security officials “as a target of opportunity for activities that threaten the health and safety of the public.”

The bill takes effect July 1, 2005 and applies to tax year 2005 and beyond.

Fiscal Summary

State Effect: Potential significant general fund and Transportation Trust Fund (TTF) revenue decreases beginning in FY 2006. The amount of the decrease depends on the number of buildings that qualify for the tax credit and the amount of expenses incurred by businesses and nonprofit organizations for security. General fund expenditures would increase by \$44,400 in FY 2006 due to one-time tax form changes and computer expenses.

Local Effect: Local government revenues would decrease as a result of tax credit claims against the corporate income tax.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill provides a tax credit for businesses or nonprofit organizations for security expenses incurred after June 30, 2005 at qualified premises that are identified

by either the federal government or State homeland security officials “as a target of opportunity for activities that threaten the health and safety of the public.”

For qualified premises, the amount of the credit is equal to 75% of the costs of expenses incurred for purchasing and installing security devices or 10% of the fees paid to a licensed security guard agency to provide security guard services. Security devices include access control systems, barrier fencing, bullet-proof glass, commercial locking devices, deterrent landscaping and lighting, and surveillance equipment.

The credit cannot exceed \$100,000 or the tax liability for the year. Any amount of unused credit may not be carried forward. Nonprofit organizations claiming the credit can claim the credit against the unrelated business income tax.

Current Law: No similar State tax credit exists.

State Fiscal Effect: The actual fiscal effect of the bill cannot be reliably estimated and depends on the number buildings or housing developments that are identified as a target of opportunity, the number of these buildings or housing developments that are privately owned, and the amount of qualifying security expenses incurred by businesses. However, revenues would decrease by a maximum of \$100,000 for each business that incurs qualifying security expenses.

The Governor’s Office of Homeland Security advises that it does not currently maintain a list of buildings or housing developments that are identified “as a target of opportunity for activities that threaten the health and safety of the public” nor is it aware of a similar federal list. The Governor’s Office of Homeland Security advises that it does identify critical infrastructure and key assets but that this information is not publicly disseminated.

The Comptroller’s Office reports that it would incur a one-time expenditure increase of \$44,400 to add the tax credit to the personal income tax form. This includes data processing changes to the SMART income tax return processing and imaging systems, and systems testing.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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