

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 82

(Delegate Boschert, *et al.*)

Ways and Means

Budget and Taxation

Income Tax Relief for Surviving Spouse of Fallen Armed Forces Member

This bill provides a credit against the State income tax equal to the lesser of \$500 or the State income tax for surviving spouses of members of the armed forces who have died in combat-related circumstances in Afghanistan or Iraq, subject to specified circumstances.

The bill takes effect July 1, 2005 and is applicable for tax years beginning after December 31, 2004.

Fiscal Summary

State Effect: Minimal general fund revenue decrease resulting from the income tax credit provided by the bill. The amount of the decrease would depend on the number of Maryland service members killed in action who were married at the time of death and meet the other conditions provided for by the bill.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: There is no provision under the Maryland income tax to grant a tax credit to the surviving spouse of a service member killed in action. The real property of surviving spouses of disabled veterans and members of the military who died in the line of duty is exempt from taxation, if specified requirements are met.

Background: The State real property tax rate is \$0.132 per \$100 of assessed value. All State property tax revenues are credited to a special fund, the Annuity Bond Fund, dedicated exclusively to paying the debt service on State general obligation bonds.

The Department of Defense indicates that as of January 21, 2005, 1,368 American service members have been killed in Operation Iraqi Freedom and 156 have been killed in Operation Enduring Freedom. Operation Iraqi Freedom includes casualties that occurred in Iraq but could include other countries to include Germany and the United States; Operation Enduring Freedom includes casualties that occurred in Afghanistan, Philippines, Pakistan, Kuwait, Persian Gulf, Cuba, Djibouti, Uzbekistan, Arabian Sea, Qatar, and the North Arabian Peninsula.

State Fiscal Effect: Minimal general fund revenue decrease resulting from the income tax credit provided by the bill. The actual fiscal effect of this bill cannot be reliably estimated and depends on the number of Maryland residents that are killed in Iraq and Afghanistan, their marital status, and income at the time of death. However, general fund revenues would decrease by a maximum of \$500 for each surviving spouse who meets the qualifications provided for by the bill.

Data provided by the Maryland Department of Veterans' Affairs indicate that 26 Maryland service members have been killed in Afghanistan or Iraq since 2001. However, at this time, it is not known how many of these individuals were married at the time of death and whose spouses meet the qualifications outlined in the bill to receive the income tax credit.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - January 24, 2005
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