

Department of Legislative Services  
Maryland General Assembly  
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 632

(Senator Middleton, *et al.*)

Budget and Taxation

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**Income Tax - Credit for Surviving Spouse of Fallen Armed Forces Member**

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This bill creates a one-time tax credit under 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 amount of the credit is equal to the lesser of \$1,000 or the State income tax liability for the year. In order to claim the credit, either the surviving spouse or deceased armed forces member must have been a Maryland resident at the time of the armed forces member's death.

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

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**Fiscal Summary**

**State Effect:** Minimal general fund revenue decrease resulting from the income tax credit provided by the bill in FY 2006 and beyond. General fund expenditures would increase by \$44,400 in FY 2006 due to one-time tax form changes and computer programming expenses.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** No similar State income tax credit exists.

Section 7-208 of the Tax – Property Article provides a property tax exemption for the dwelling house of a surviving spouse of a service member killed in action, subject to specified conditions.

**Background:** The Department of Defense indicates that as of March 16, 2005, 1,511 American service members have been killed in Operation Iraqi Freedom and 159 have been killed in Operation Enduring Freedom. The Maryland Department of Veterans Affairs advises that 28 Maryland service members have been killed in Afghanistan or Iraq since 2001.

**State Fiscal Effect:** The actual fiscal effect of this bill cannot be reliably estimated and depends on the number of Maryland residents who 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 \$1,000 for each surviving spouse who meets the qualifications provided for by the bill.

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.

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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 18, 2005  
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Analysis by: Robert J. Rehrmann

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