

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 504 (Delegate Oaks, *et al.*)
 Ways and Means

Maryland Prostate Cancer Research Fund - Income Tax Checkoff

This bill establishes a Prostate Cancer Research Fund checkoff on the individual income tax return form. After the Comptroller deducts administrative expenses, the contributions are credited to the fund and distributed by the Department of Health and Mental Hygiene (DHMH) through the annual budget process to eligible entities for cancer research, prevention, and treatment. A maximum of 5% of the funds received by DHMH may be used to promote further donations to the fund and the Secretary is required to report to the General Assembly by August 31 of each year on the administration of the fund.

The bill is effective July 1, 2005 and applies to tax year 2005 and beyond.

Fiscal Summary

State Effect: Potential minimal net increase in special fund revenues in FY 2006 and beyond. Special fund expenditures would increase by \$44,400 in FY 2006 due to one-time tax form changes and computer expenses.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	-	-	-	-	-
SF Expenditure	44,400	0	0	0	0
Net Effect	(\$44,400)	\$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), the Fair Campaign Financing Fund (FCFF), and the Cancer Research Fund (CRF) are the three current checkoffs on the personal income tax form.

Background: In fiscal 2004, approximately \$1.6 million was donated to CBESF and \$183,000 was donated to FCFF. Chapter 392 of 2004 added the CRF checkoff beginning with tax year 2004.

A survey by the Federation of Tax Administrators (FTA) 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. For example, in tax year 2003 Virginia had 22 checkoffs which added four pages to the personal income tax form. The most common checkoffs are for wildlife protection, political campaigns, and child abuse prevention. According to FTA, Maryland's CBESF checkoff was the largest nonpolitical state checkoff.

State Revenues: While the amount of donations cannot be accurately estimated, Legislative Services believes that there will be a minimal net increase in special fund revenues in fiscal 2006 and beyond. Donations to this checkoff would likely divert funds from the existing checkoffs, and in particular the CRF established beginning in tax year 2004. To the extent that the new checkoff does not divert funds from the existing checkoffs, net special fund revenues will increase by a greater amount.

State Expenditures: The bill requires DHMH to distribute the fund to eligible organizations that conduct prostate cancer research, adopt regulations to implement the proposed grant program, and submit a report annually to the General Assembly on the administration of the fund. DHMH reports that it would incur additional costs of \$47,648 in fiscal 2006 as a result of hiring a program manager. DHMH also advises that it is in the process of hiring a program administrator to distribute funds from the CRF checkoff established by Chapter 392 of 2004. Legislative Services estimates that, based on the estimate that the proposed prostate cancer research fund will divert funds from the CRF and the similarity of the programs, the costs imposed on DHMH by the bill can be absorbed within existing budgeted resources. Although the bill is effective July 1, 2005 taxpayers would begin donating to the Prostate Cancer fund beginning on January 1, 2006. By this time DHMH will have had one year to establish methods and procedures for CRF. It is assumed that DHMH can utilize these methods and procedures for the efficient processing of the proposed prostate cancer research funds.

The Comptroller's Office reports that it would incur a one-time expenditure increase of \$44,400 in fiscal 2006 to add the checkoff to the personal income tax form. This includes data processing changes to the SMART income tax return and processing systems, and systems testing.

Additional Information

Prior Introductions: None.

Cross File: SB 825 (Senator Colburn, *et al.*) – Rules.

Information Source(s): Comptroller's Office, Department of Health and Mental Hygiene, Department of Legislative Services

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ncs/hlb

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