

**Department of Legislative Services**  
 Maryland General Assembly  
 2006 Session

**FISCAL AND POLICY NOTE**

Senate Bill 41 (Senator Colburn)  
 Budget and Taxation

**Income Tax - Subtraction Modification for Volunteer Fire, Rescue, or  
 Emergency Personnel - Eligibility**

This bill expands the existing subtraction modification for qualifying volunteer fire, rescue, or emergency medical services personnel by allowing an individual to qualify if the individual is: (1) at least 65 years old, earns a minimum of 50 points in any category under a qualifying length of service award program or point system, and meets all of the other qualifications under current law; or (2) is at least 75 years old and qualified for active status under current law for at least 40 years.

The bill takes effect July 1, 2006 and applies to tax year 2006 and beyond.

**Fiscal Summary**

**State Effect:** General fund revenues could decrease by approximately \$68,900 beginning in FY 2007 due to the expansion of the subtraction modification. Future years reflect estimated growth in eligible volunteers. Expenditures would not be affected.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
GF Revenue	(\$68,900)	(\$69,900)	(\$71,000)	(\$72,100)	(\$73,200)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$68,900)	(\$69,900)	(\$71,000)	(\$72,100)	(\$73,200)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Local income tax revenues would decrease by approximately \$43,500 in FY 2007. Future year revenues would decrease by an additional 1.5% each year thereafter, with the decrease in local revenues totaling \$46,200 in FY 2011. Expenditures would not be affected.

**Small Business Effect:** None.

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## **Analysis**

**Current Law:** The Honorable Louis L. Goldstein Volunteer Police, Fire, Rescue, and Emergency Personnel Subtraction Modification Program provides a subtraction modification of \$3,500 for individuals who serve in a volunteer capacity and qualify for active duty service during the tax year. Individuals can qualify if they are: (1) a member of a Maryland fire, rescue, or emergency medical services organization; (2) a member of an auxiliary organization of a Maryland fire, rescue, or emergency medical services organization; (3) a police auxiliary or reserve volunteer; or (4) a member of the U. S. Coast Guard Auxiliary.

An individual can qualify for active status: (1) under • a volunteer fire, rescue, or emergency medical services personnel or auxiliary length of service award program operated by a county or municipality that requires at least 50 points annually in at least two different categories; • a point system established by a county or municipality that does not operate a volunteer fire, rescue, or emergency medical services personnel or auxiliary length of service award program or by the U. S. Coast Guard Auxiliary that identifies requires at least 50 points annually in at least two categories; or • a police auxiliary reserve volunteer program approved by the Police Training Commission in conjunction with the Maryland Association of Counties and the Maryland Municipal League; (2) by maintaining active status for at least 25 years; (3) by being a member of the National Guard or other rescue component of the U. S. Armed Forces who has been ordered into active military service during the tax year; or (4) by being a civilian or member of the Merchant Marine on assignment in support of the armed forces during the tax year in an area designated as a combat zone by an executive order of the President of the United States.

Within the last 10 years, individuals are required to be active members of a Maryland fire, rescue, emergency medical services organization or auxiliary organization for at least 36 months while a member of a U. S. Coast Guard Auxiliary or police auxiliary or reserve volunteers must be active members for at least 72 months during this time.

**Background:** The subtraction modification has undergone multiple changes since Chapter 508 of 1995 created the subtraction modification for qualifying volunteer fire, rescue, or emergency medical services members. Chapter 485 of 1997 established a subtraction modification for volunteer police officers. Chapter 384 of 1998 increased the subtraction modification from \$3,000 to \$3,500. Chapter 375 of 1999 allowed members of the U. S. Coast Guard Auxiliary to qualify for the subtraction modification. Chapter

472 of 2000 reduced over a period of four years the duration of service required to claim the subtraction modification for members of volunteer fire, rescue, and emergency medical services organizations.

During the 2001 session, three bills were enacted related to the subtraction modification. In honor of the former long-serving Comptroller of the State Treasury, Chapter 442 renamed the subtraction modifications as the Honorable Louis L. Goldstein Volunteer Police, Fire, Rescue, and Emergency Medical Services Personnel Subtraction Modification Program. Chapter 634 clarified the application of the \$3,500 subtraction modification under the Maryland income tax for individuals if they are a qualifying police auxiliary or reserve volunteer for the taxable year. Chapter 485 of 1997 provided for the subtraction modification to be taken by volunteer police officers. However, the Comptroller indicated that the term “volunteer police officer” was not sufficiently precise to include most of the individuals the 1997 legislation was intended to cover and no subtraction modifications had been taken. The bill also replaced the length of service requirement with participation in a police auxiliary or reserve volunteer program approved by the Police Training Commission. Chapter 436 and 437 extended the subtraction modification to members of an auxiliary organization of a bona fide Maryland fire, rescue, or emergency medical services organization.

Finally, Chapter 267 of 2003 allowed an individual to claim the subtraction modification if the individual did not qualify due to being called into service on active duty in the armed forces of the U. S. or was a qualifying civilian or member of the Merchant Marine in support of the armed forces in a designated combat zone.

**State Revenues:** General fund revenues could decrease by approximately \$68,900 in tax year 2006 due to additional subtraction modifications being claimed, resulting in a general fund revenue loss of approximately \$68,900 in fiscal 2007.

According to the Maryland State Firemen’s Association, 308 members currently have over 40 years of active service. Further, 226 of these individuals have at least 50 years of service. Members can begin volunteering when they turn between 16 and 18 years of age. It is assumed that all these individuals would not qualify under current law, but would under the expansion of the subtraction modification provided by allowing volunteers who are at least 75 years and qualified for active status under current law for at least 40 years. The number of individuals who qualify based on this expansion is estimated to increase by 2% annually. To the extent that some of these individuals currently qualify under current law, revenue losses will be less than estimated. The Maryland Firemen’s Association was unable to provide an estimate on how many of these individuals currently qualify under current law.

The Maryland State Firemen's Association also did not provide information on the number of volunteers who are at least 65 years old, earn a minimum of 50 points in any category under a qualifying award program or point system, and meet all of the other qualifications under current law. The association also did not provide the number of individuals who currently claim the subtraction modification. The Comptroller's Office, which is to receive a copy of this report annually by law, could not locate a copy of this report in time for inclusion in this fiscal note. Based on previous estimates of the total estimated number of volunteers who claim the subtraction modification, Legislative Services estimates that an additional 100 volunteers could claim the subtraction modification annually due to this expansion.

**Local Revenues:** Local revenues would decrease by approximately 3% of the total additional State subtraction modifications taken in each tax year. In fiscal 2007 the decrease would total approximately \$43,500. Future year revenues would decrease by approximately \$44,100 in fiscal 2008, \$44,800 in fiscal 2009, \$45,500 in fiscal 2010, and \$46,200 in fiscal 2011.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 63 (Delegate Haddaway) – Ways and Means.

**Information Source(s):** Comptroller's Office, Maryland State Firemen's Association, Department of Legislative Services

**Fiscal Note History:** First Reader - January 30, 2006  
mam/hlb

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