

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 354
Ways and Means

(Allegany County Delegation)

Income Tax Checkoff - Maryland Military Family Relief Fund

This bill establishes a Maryland Military Family Relief Fund checkoff on the individual income tax return form for the purpose of improving the quality of life of Maryland-domiciled injured active duty members of the military and disabled veterans and their families. After the Comptroller deducts administrative expenses, the contributions are credited to the fund and distributed on an equal basis by the Department of Veterans Affairs to the Fisher House Foundation, Inc., Wounded Warrior Project, and United Service Organizations, Inc. (USO). The Secretary of Veterans Affairs must report to the General Assembly by August 31 of each year on the administration of the fund.

The bill takes effect July 1, 2007 and applies to tax year 2007 and beyond.

Fiscal Summary

State Effect: Minimal net increase in special fund revenues in FY 2008 and beyond. General fund expenditures would increase by \$82,000 in FY 2008 due to administrative expenses at the Department of Veterans Affairs and the Comptroller's Office. Future year expenditures reflect annualized salaries, operating costs, and inflation at the Department of Veterans Affairs.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	-	-	-	-	-
GF Expenditure	82,000	59,400	62,500	65,900	69,400
Net Effect	(\$82,000)	(\$59,400)	(\$62,500)	(\$65,900)	(\$69,400)

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. In fiscal 2006, approximately \$1.2 million was donated to CBESF, \$583,000 to CRF, and \$127,000 was donated to FCFF.

Background: The Fisher House Foundation provides housing for the families of patients receiving medical care at major military and VA (Veterans Affairs) medical centers and administers the Scholarships for Military Children Program. In addition, the foundation distributes free air travel tickets to members of the military, or their family members, who are undergoing treatment at a military or VA medical center incident to their service in Iraq or Afghanistan.

The Wounded Warrior Project (WWP) provides programs and services to severely injured active service members and their families during the time between their initial rehabilitation while on active duty and their eventual transition to civilian life. WWP's services to active duty service members and disabled veterans include benefits counseling, representation before the Department of Veterans Affairs, bringing public attention to the needs of wounded service members, and advocating for regulatory and statutory changes beneficial to veterans and active duty service members.

The USO is a private, nonprofit organization whose mission is to provide morale, welfare, and recreation-type services to men and women in uniform. The USO currently operates more than 130 centers worldwide, including 10 mobile canteens located in the continental United States and overseas. Overseas centers are located in Germany, Italy, the United Arab Emirates, Japan, Qatar, South Korea, Afghanistan, Guam, and Kuwait. Service members and their families visit USO centers more than 5.6 million times each year.

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 2008 and beyond. Donations to this checkoff would likely divert funds from the three existing personal income checkoffs: CBESF, CRF, and FCFF. 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 the Department of Veterans Affairs to distribute the fund to eligible organizations and submit a report annually to the General Assembly on the administration of the fund. The Department of Veterans Affairs would incur additional costs of \$47,958 in fiscal 2008 as a result of hiring one accountant. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. Although the bill is effective July 1, 2007, taxpayers will begin donating to the fund beginning in January 1, 2008, necessitating an accountant to be hired October 1, 2007.

Salary and Fringe Benefits	\$43,210
Operating Expenses	<u>4,798</u>
FY 2008 Expenditures	\$47,958

Future year expenditures reflect: (1) a full salary with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The Comptroller's Office reports that it would incur a one-time expenditure increase of \$34,000 to add the checkoff to personal income tax forms. This includes data processing changes to the SMART income tax return processing and imaging systems, and systems testing.

Additional Information

Prior Introductions: HB 416 of 2005, a similar bill, received an unfavorable report from the House Ways and Means Committee.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Veterans Affairs, Department of Legislative Services

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bfl/hlb

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