

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 1135
 Ways and Means

(Delegates Stukes and Ross)

Income Tax - Credit for Security Expenses

This bill creates a tax credit against the State income tax for expenses incurred by a business or nonprofit organization to provide security to commercial rental property or residential multifamily rental property that are eligible under regulations adopted by the Maryland Emergency Management Agency (MEMA). The credit is equal to 50% of the expenses incurred for purchasing and installing security devices, not to exceed \$10,000 or the tax liability for the tax year. MEMA can award a maximum of \$150,000 in credits in each tax year.

The bill takes effect July 1, 2007 and applies to eligible security expenses incurred between July 1, 2007 and June 30, 2010.

Fiscal Summary

State Effect: State revenues would decrease by \$150,000 annually in FY 2008 through 2011. General fund expenditures would increase by \$34,000 in FY 2008 due to one-time tax form changes and computer expenses.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF/SF Rev.	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	\$0
GF Expenditure	34,000	0	0	0	0
Net Effect	(\$184,000)	(\$150,000)	(\$150,000)	(\$150,000)	\$0

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

Local Effect: Potential minimal decrease in local highway user revenues in FY 2008 through FY 2011 due to credits claimed against the corporate income tax. Expenditures would not be affected.

Small Business Effect: Minimal.

Analysis

Current Law: No similar State tax credit exists.

State Fiscal Effect: The bill provides that tax credits can be earned beginning in tax year 2007 for eligible expenses incurred between July 1, 2007 and June 30, 2010 and limits the maximum amount of credits that can be awarded to \$150,000 in each year. As a result, State revenues would decrease by \$150,000 annually in fiscal 2008 through 2011.

The Comptroller's Office reports that it would incur a one-time expenditure increase of \$34,000 in fiscal 2008 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.

Additional Information

Prior Introductions: HB 50 of 2006, an identical bill as amended by the House Ways and Means Committee, passed the House but was not reported from the Senate Budget and Taxation Committee. HB 1400 of 2005, a similar bill, was not reported from Ways and Means.

Cross File: None.

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

Fiscal Note History: First Reader - March 20, 2007
mam/hlb

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