

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 1216 (Delegate Stein, *et al.*)
 Ways and Means

Income Tax - Subtraction Modification - Contributions to Volunteer Fire Companies

This bill creates a subtraction modification under the State income tax for the charitable contributions made by a corporation to a volunteer fire company in the State. The bill limits the total amount of subtraction modifications that can be awarded in any tax year to \$3.0 million.

The bill takes effect July 1, 2008 and applies to tax year 2008 and beyond.

Fiscal Summary

State Effect: General fund revenues would decrease by \$182,200 annually beginning in FY 2009. Transportation Trust Fund revenues would decrease by \$50,400 and Higher Education Investment Fund revenues would decrease by \$14,900 beginning in FY 2009. Expenditures would not be affected.

| (in dollars) | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|--------------|-------------|-------------|-------------|-------------|-------------|
| GF Revenue | (\$182,200) | (\$182,200) | (\$182,200) | (\$182,200) | (\$182,200) |
| SF Revenue | (65,300) | (65,300) | (65,300) | (65,300) | (65,300) |
| Expenditure | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Effect | (\$247,500) | (\$247,500) | (\$247,500) | (\$247,500) | (\$247,500) |

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

Local Effect: Local highway user revenues would decrease by \$15,100 annually beginning in FY 2009. Expenditures would not be affected.

Small Business Effect: None.

Analysis

Current Law: No similar State subtraction modification exists. However, charitable contributions to eligible nonprofit organizations, which generally include volunteer fire companies, can be deductible for federal income tax purposes. This reduces a corporation's federal and State income tax liabilities.

Background: Chapter 3 of the 2007 special session increased the corporate income tax rate from 7% to 8.25% and altered the distribution of the revenues generated by the tax. Corporate income tax revenues are distributed to the general fund (73.6%), TTF (20.4%), HEIF (6%).

State Fiscal Effect: The bill provides additional State tax benefits for charitable contributions to volunteer fire companies beginning in tax year 2008, subject to a maximum award of \$3.0 million annually. As a result, general fund revenues would decrease by \$182,200 annually beginning in fiscal 2009, TTF revenues would decrease by \$50,400 annually, and HEIF revenues would decrease by \$14,900 annually.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

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