

Department of Legislative Services  
 Maryland General Assembly  
 2009 Session

**FISCAL AND POLICY NOTE**

Senate Bill 6 (Senator Harrington)  
 Budget and Taxation

**Income Tax Checkoff System - Health Care Coverage Fund**

This bill establishes a Health Care Coverage Fund checkoff on the individual income tax return form. After the Comptroller deducts administrative expenses, contributions are credited to the fund.

The bill takes effect July 1, 2009 and applies to tax year 2009 and beyond.

**Fiscal Summary**

**State Effect:** Minimal net increase in special fund revenues in FY 2010 and beyond. General fund expenditures increase by \$35,000 in FY 2010 due to one-time computer programming expenses at the Comptroller’s Office.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
SF Revenue	-	-	-	-	-
GF Expenditure	\$35,000	\$0	\$0	\$0	\$0
Net Effect	(\$35,000)	\$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. In fiscal 2008, approximately

\$1.1 million was donated to CBESF, \$522,000 to CRF, and \$113,000 was donated to FCFF. **Exhibit 1** shows the amount of donations provided to existing checkoffs since fiscal 1990.

**Exhibit 1**  
**Donations to Existing Income Tax Checkoffs**  
**(\$ in Thousands)**

<b>Fiscal</b>	<b>CBESF</b>	<b>FCFF</b>	<b>CRF</b>	<b>Total</b>	<b>Difference</b>	<b>Percent Difference</b>
1990	\$1,045	\$0	\$0	\$1,045		
1991	1,093	0	0	1,093	\$48	4.6%
1992	1,167	0	0	1,167	74	6.8%
1993	995	0	0	995	-172	-14.7%
1994	1,037	0	0	1,037	42	4.2%
1995	1,171	0	0	1,171	134	12.9%
1996	958	75	0	1,033	-138	-11.8%
1997	875	85	0	960	-73	-7.1%
1998	828	92	0	920	-40	-4.2%
1999	954	110	0	1,064	144	15.7%
2000	958	115	0	1,073	9	0.8%
2001	965	123	0	1,088	15	1.4%
2002	1,109	134	0	1,243	155	14.2%
2003	1,380	173	0	1,553	310	24.9%
2004	1,571	184	0	1,755	202	13.0%
2005	1,144	114	423	1,681	-74	-4.2%
2006	1,180	121	455	1,756	75	4.5%
2007	1,189	118	550	1,857	101	5.8%
2008	1,133	113	522	1,768	-89	-4.8%

**Background:** Chapter 7 of the 2007 special session established the Health Care Coverage Fund to expand Medicaid eligibility for parents, caretaker relatives, and childless adults up to 116% of federal poverty guidelines; establish a Small Employer Health Benefit Plan Premium Subsidy Program; and support health care services in Prince George’s County. The fund consists of monies transferred from the Maryland Health Insurance Plan Fund, monies collected from any Health Services Cost Review Commission hospital assessment of uncompensated care savings achieved under Chapter 7, investment earnings, and any other monies from any other source accepted for

the benefit of the fund. In fiscal 2011 through 2013, up to \$10.0 million per year may be transferred from the fund to support health care services in Prince George's County.

The amount contributed to State income checkoffs in fiscal 2008 was roughly the same amount, after adjusting for inflation, as contributed in fiscal 1990. The inflation adjusted amount contributed to CBESF, however, has decreased by \$591,300 over this time period while donations to the two checkoffs established since fiscal 1990 have increased by a total of \$635,000. Donations to CBESF decreased by one-fifth in fiscal 1996 after the introduction of the FCFF checkoff. Total donations to these checkoffs decreased by a little less than one-third, or \$607,300, in the first fiscal year individuals could contribute to CRF.

**State Revenues:** While the amount of donations cannot be accurately estimated, the Department of Legislative Services believes that there will be a minimal net increase in special fund revenues in fiscal 2010 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 Comptroller's Office reports that it would incur a one-time expenditure increase of \$35,000 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.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - January 26, 2009  
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