

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1067
Ways and Means

(Delegate Ramirez, *et al.*)

**Income Tax - Subtraction Modification - Donations for Libraries in Community
Centers or Recreation Centers**

This bill creates a subtraction modification under the State income tax for 150% of a monetary contribution made by a business during the tax year to a “community or recreation center” for the creation or maintenance of a library. The total amount claimed may not exceed \$10,000.

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

Fiscal Summary

State Effect: General fund revenues decrease significantly beginning in FY 2010 due to subtraction modifications claimed against the personal and corporate income tax. Transportation Trust Fund (TTF) revenues decrease significantly beginning in FY 2010 due to subtraction modifications claimed against the corporate income tax. General fund expenditures increase by \$20,700 in FY 2010 for one-time tax form changes and computer programming modifications at the Comptroller’s Office.

Local Effect: Local income tax revenues and local highway user revenues distributed from the TTF decrease significantly beginning in FY 2010. Expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law/Background: No similar subtraction modification exists, although businesses can deduct contributions for libraries as charitable donations, which typically lowers federal and State income tax liability.

Exhibit 1 illustrates the existing tax benefits and proposed tax benefit for a contribution for a library that would qualify for the maximum benefit under the bill. A donation of \$6,667 is the maximum amount that will qualify for the maximum \$10,000 subtraction modification.

Exhibit 1 Existing and Proposed Tax Benefits

	<u>Corporate</u>	<u>Personal</u>
Donation	\$6,667	\$6,667
<i>Tax Benefits Under Current Law</i>		
Federal Taxes	\$2,333	\$1,867
State Taxes	550	333
Local Taxes	0	200
<i>Additional Tax Benefit Under HB 1067</i>		
State	\$825	\$500
Local	0	300
Total Tax Benefits	\$3,708	\$3,200
Percent of Donation	56%	48%

State and Local Revenues: Subtraction modifications can be claimed beginning in tax year 2009. As a result, general fund revenues and TTF revenues will decrease significantly beginning in fiscal 2010. The bill provides that up to 150% of the donation can be deducted against the State income tax. It cannot be reliably predicted how many public and private community and recreation centers will qualify under the bill, and how many qualifying donations will be made. State revenues will decrease by \$825 per corporate donation and \$500 per business that files under the personal income tax. **Exhibit 2** shows the potential State and local revenue loss based on several scenarios. It is assumed that each donation is for the maximum amount and 75% of donations are from corporations.

Additional Comments: Public libraries in Maryland spent \$223.9 million in fiscal 2005, with local governments providing 70% of the funding and the State government providing 20%. In addition, local governments spent \$509.8 million on parks, recreation, and cultural programs in fiscal 2005. Public libraries, parks, recreation, and cultural programs account for approximately 4% of local government expenditures. In fiscal 2010, the proposed State budget includes \$63.4 million for public libraries, of which \$48.2 million is direct aid and \$15.2 million is retirement payments for librarians.

Exhibit 2
Total Donations per County – State and Local Revenue Loss

Number	1	5	10	25	100
Total Donations	\$6,667	\$33,335	\$66,670	\$166,675	\$666,700
State Revenue Loss					
Total Revenues	\$17,000	\$84,800	\$169,400	\$423,600	\$1,694,400
General Fund	14,900	74,200	148,300	370,700	1,482,700
TTF – MDOT	2,100	10,600	21,100	52,900	211,700
Local Revenue Loss					
Total Revenues	\$1,000	\$5,000	\$10,000	\$25,000	\$99,700
Highway User Revenues	900	4,500	9,100	22,700	90,700
Local Income Taxes	100	500	900	2,300	9,000

Additional Information

Prior Introductions: None.

Cross File: None.

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

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