

Department of Legislative Services
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 1052 (Senator Zirkin)
Budget and Taxation

Income Tax - Subtraction Modification - Maryland Defense Force

This bill expands eligibility of the existing subtraction modification for qualifying volunteer fire, rescue, or emergency medical services personnel to include members of the Maryland Defense Force.

The bill takes effect July 1, 2010, and applies to tax year 2011 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease by \$56,500 annually beginning in FY 2012 due to the expansion of the subtraction modification. Expenditures are not affected.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GF Revenue	\$0	(\$56,500)	(\$56,500)	(\$56,500)	(\$56,500)
Expenditure	0	0	0	0	0
Net Effect	\$0	(\$56,500)	(\$56,500)	(\$56,500)	(\$56,500)

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

Local Effect: Local income tax revenues decrease by \$35,700 annually beginning in FY 2012. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: The Honorable Louis L. Goldstein Volunteer Police, Fire, Rescue, and Emergency Medical Services Personnel Subtraction Modification Program allows a subtraction modification of \$3,500 for individuals who serve in a volunteer capacity and

qualify for active duty service during the tax year. Individuals can qualify if they are (1) a member of a Maryland fire, rescue, or emergency medical services organization; (2) a member of an auxiliary organization of a Maryland fire, rescue, or emergency medical services organization; (3) a police auxiliary or reserve volunteer; or (4) a member of the U.S. Coast Guard Auxiliary.

Background: The program has undergone multiple changes since Chapter 508 of 1995 created the subtraction modification for qualifying volunteer fire, rescue, or emergency medical services members. Chapter 485 of 1997 established a subtraction modification for volunteer police officers. Chapter 384 of 1998 increased the subtraction modification from \$3,000 to \$3,500. Chapter 375 of 1999 allowed members of the U.S. Coast Guard Auxiliary to qualify for the subtraction modification. Chapter 472 of 2000 reduced over a period of four years the duration of service required to claim the subtraction modification for members of volunteer fire, rescue, and emergency medical services organizations.

During the 2001 session, several bills were enacted relating to the subtraction modification. In honor of the former long-serving Comptroller of the State Treasury, Chapter 442 renamed the subtraction modifications as the Honorable Louis L. Goldstein Volunteer Police, Fire, Rescue, and Emergency Medical Services Personnel Subtraction Modification Program. Chapter 634 clarified the application of the \$3,500 subtraction modification under the Maryland income tax for individuals if they are a qualifying police auxiliary or reserve volunteer for the taxable year. Chapter 436 extended the subtraction modification to members of an auxiliary organization of a bona fide Maryland fire, rescue, or emergency medical services organization.

Chapter 267 of 2003 allowed an individual to claim the subtraction modification if the individual did not qualify due to being called into service on active duty in the U.S. armed forces or was a qualifying civilian or member of the Merchant Marines in support of the armed forces in a designated combat zone. Chapter 344 of 2008 expanded the subtraction modification by decreasing, from at least 72 months to 36 months of the previous 10 years, the time in which individuals must be members of the U.S. Coast Guard Auxiliary to be eligible for the subtraction modification.

State and Local Revenues: The Maryland Defense Force currently consists of about 420 active members.

A \$3,500 subtraction modification can be claimed beginning in tax year 2011. As a result, general fund revenues will decrease by \$56,500 annually beginning in fiscal 2012. Local income tax revenues will decrease by \$35,700 annually beginning in fiscal 2012.

This estimate is based on data provided by the Maryland Defense Force and assumes that 20% of individuals either already qualify for the subtraction modification (as volunteer firefighters, etc.) or do not have sufficient tax liability to claim the subtraction modification. The subtraction modification will provide about \$275 to each eligible individual.

Additional Information

Prior Introductions: None.

Cross File: HB 681 (Delegate Cardin, *et al.*) - Ways and Means.

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

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