

**Department of Legislative Services**  
2010 Session

**FISCAL AND POLICY NOTE**

House Bill 754  
Ways and Means

(Delegate Stocksdales, *et al.*)

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**Income Tax - Subtraction Modification - Maryland Civil Air Patrol**

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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 Civil Air Patrol.

The bill takes effect July 1, 2011, and applies to tax year 2012 and beyond.

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**Fiscal Summary**

**State Effect:** General fund revenues decrease by \$133,000 annually beginning in FY 2013 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	\$0	(\$133,000)	(\$133,000)	(\$133,000)
Expenditure	0	0	0	0	0
Net Effect	\$0	\$0	(\$133,000)	(\$133,000)	(\$133,000)

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

**Local Effect:** Local income tax revenues decrease by \$84,000 annually beginning in FY 2013. Local expenditures are not affected.

**Small Business Effect:** None.

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**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 Marine 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 Civil Air Patrol currently consists of about 1,450 members, 638 of whom are cadets. An estimated 1,000 members, including about 200 cadets aged 18 to 21 years old, will meet the qualifications of the subtraction modification program.

A \$3,500 subtraction modification may be claimed beginning in tax year 2012. As a result, general fund revenues will decrease by \$133,000 annually beginning in fiscal 2013. Local income tax revenues will decrease by \$84,000 annually beginning in fiscal 2013.

This estimate is based on data provided by the Maryland Civil Air Patrol and assumes that 20% of members either already qualify for the subtraction modification (as volunteer firefighters, etc.) or do not have sufficient tax liability to claim the subtraction modification and that 75% of cadets claim the subtraction modification. The subtraction modification will provide about \$275 to each eligible individual.

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### **Additional Information**

**Prior Introductions:** HB 1359 of 2009 was not reported from the House Ways and Means Committee.

**Cross File:** SB 864 (Senator McFadden) - Budget and Taxation.

**Information Source(s):** Maryland Civil Air Patrol, Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - March 2, 2010  
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