

**Department of Legislative Services**  
2010 Session

**FISCAL AND POLICY NOTE**

Senate Bill 65 (Chair, Budget and Taxation Committee)(By Request -  
Departmental - Veterans Affairs)

Budget and Taxation

**Maryland Veterans Trust Fund - Income Tax Checkoff**

This departmental bill establishes a Maryland Veterans Trust 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, 2010, and applies to tax year 2010 and beyond.

**Fiscal Summary**

**State Effect:** Minimal net increase in special fund revenues in FY 2011 and beyond. General fund expenditures increase by \$36,100 in FY 2011 due to one-time computer programming expenses at the Comptroller’s Office. Special fund expenditures increase by \$52,200 in FY 2011 due to administrative costs at the Maryland Department of Veterans Affairs (MDVA). Future year expenditures reflect annualized salaries, operating costs, and inflation at MDVA.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
SF Revenue	-	-	-	-	-
GF Expenditure	\$36,100	\$0	\$0	\$0	\$0
SF Expenditure	\$52,200	\$65,000	\$68,200	\$71,500	\$75,000
Net Effect	(\$88,300)	(\$65,000)	(\$68,200)	(\$71,500)	(\$75,000)

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

**Local Effect:** None.

**Small Business Effect:** MDVA has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

## Analysis

**Current Law:** Chapter 742 of 2009 established the Maryland Veterans Trust Fund. The fund consists of gifts and grants received by MDVA. Money in the fund may be used to make grants and loans to veterans and their families, support public and private programs that serve veterans in the State, or support the Charlotte Hall Veterans Home. Money in the fund may also be used to invest in general obligations of the State or other securities, pay for the cost of administering the fund, or support any other programs that the Secretary considers appropriate. Money expended from the fund is supplemental to and is not intended to take the place of funding otherwise appropriated to MDVA.

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 2009, \$1.2 million was donated to CBESF, \$569,000 to CRF, and \$117,000 to FCFF. **Exhibit 1** shows the amount of donations provided to existing checkoffs since fiscal 1990.

**Background:** After adjusting for inflation, the total amount contributed to State income tax checkoffs has not significantly changed in the last 20 fiscal years. The inflation adjusted amount contributed to CBESF, however, has decreased by \$543,600 over this time period while donations to the two checkoffs established since fiscal 1990 have increased by a total of \$686,000. 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 2011 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.

**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%
2009	1,223	117	569	1,909	141	8.0%

**State Expenditures:** MDVA currently administers the Maryland Veterans Trust Fund to which funds generated by the checkoff established by the bill would be distributed. However, MDVA would incur additional costs of \$52,213 in fiscal 2011 as a result of hiring a grant specialist to handle the anticipated increase in donations to the fund. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. Although the bill is effective July 1, 2010, taxpayers will begin donating to the fund beginning in January 1, 2011, necessitating an October 1, 2010 hire date.

Salary and Fringe Benefits	\$47,495
Operating Expenses	<u>4,718</u>
<b>FY 2011 MDVA Expenditures</b>	<b>\$52,213</b>

Future year expenditures reflect annualization and (1) a full salary with 4.4% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The Comptroller's Office reports that it would incur a one-time expenditure increase of \$36,100 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):** Comptroller's Office, Maryland Department of Veterans Affairs, Department of Legislative Services

**Fiscal Note History:** First Reader - January 25, 2010  
ncs/hlb

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Veterans Trust Fund – Income Tax Checkoff

BILL NUMBER: SB 65

PREPARED BY: Maryland Department of Veterans Affairs

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.