

Department of Legislative Services
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 197 (Senators Glassman and Jacobs)
Budget and Taxation

Income Tax - Subtraction Modification - Community Emergency Response Team (CERT)

This bill expands eligibility of the existing subtraction modification for qualifying volunteer fire, rescue, or emergency medical services personnel to include members of a community emergency response team.

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

Fiscal Summary

State Effect: General fund revenues decrease by \$428,300 in FY 2011 due to the expansion of the subtraction modification. Future years reflect a 3% annual increase in eligible members. Expenditures are not affected.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GF Revenue	(\$428,300)	(\$441,100)	(\$454,300)	(\$467,900)	(\$481,900)
Expenditure	0	0	0	0	0
Net Effect	(\$428,300)	(\$441,100)	(\$454,300)	(\$467,900)	(\$481,900)

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

Local Effect: Local income tax revenues decrease by \$268,800 in FY 2011 and by \$302,400 in FY 2015. 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 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.

The Community Emergency Response Team (CERT) program is an official emergency preparedness program of the Federal Emergency Management Agency (FEMA). The goal of the CERT program is to educate and prepare people for all types of emergencies and disasters. Members of CERT learn skills that will help in aiding first responders in the event of a large-scale emergency. The CERT program functions as a partnership between the local governments and community agencies in Maryland. According to Citizencorps.gov, 24 CERT teams have been established in Maryland.

State Revenues: An estimated 4,000 CERT members statewide may meet the qualifications of the bill. A \$3,500 subtraction modification can be claimed beginning in tax year 2010. As a result, general fund revenues will decrease by \$428,300 in fiscal 2011.

This estimate assumes that one-third 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. It is also assumed the CERT teams currently meet or will establish a program that satisfies the recordkeeping and eligibility requirements of the bill. The number of individuals qualifying for the expansion is estimated to increase by 3% annually. The subtraction modification will provide about \$275 to each eligible individual, which includes both State and local taxes.

Local Revenues: Local government revenues decrease by 3% of the net change in State tax liability resulting from the provisions of the bill. Local government revenues decrease by \$268,800 in fiscal 2011, \$276,800 in fiscal 2012, \$285,100 in fiscal 2013, \$293,700 in fiscal 2014, and by \$302,400 in fiscal 2015.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Citizenscorp.gov, Comptroller's Office, Department of Legislative Services

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