

Department of Legislative Services
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 130 (Senator Glassman)
Budget and Taxation

Income Tax - Subtraction Modification - Community Emergency Response Team

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, 2011, and applies to tax year 2011 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease by \$388,700 in FY 2012 due to the expansion of the subtraction modification. Future years reflect the estimated number of eligible members. Expenditures are not affected.

(in dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Revenue	(\$388,700)	(\$405,300)	(\$422,000)	(\$438,600)	(\$455,200)
Expenditure	0	0	0	0	0
Net Effect	(\$388,700)	(\$405,300)	(\$422,000)	(\$438,600)	(\$455,200)

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

Local Effect: Local income tax revenues decrease by \$245,500 in FY 2012 and by \$287,500 in FY 2016. 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 subtraction modification program for qualifying volunteer fire, rescue, or emergency medical services members, established by Chapter 508 of 1995, has undergone multiple changes since its inception. 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 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 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.

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 and function as a partnership between local governments and community agencies in Maryland. The Maryland Emergency Management Agency estimates there are currently about 5,000 CERT members statewide.

State Revenues: The subtraction modification of up to \$3,500 can be claimed beginning in tax year 2011. As a result, general fund revenues will decrease by \$388,700 in fiscal 2012.

This estimate assumes that one-fifth of potentially eligible 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 that two-thirds of CERT members will be active members and that the CERT teams currently meet or will establish a program that satisfies the recordkeeping and eligibility requirements of the bill. The subtraction modification for each eligible individual will reduce State and local taxes in a tax year by about \$275. The number of eligible individuals is estimated to increase by 100 annually.

Local Revenues: Local government revenues decrease by about 3% of the net change in State taxable income resulting from the provisions of the bill. Local government revenues decrease by \$245,500 in fiscal 2012, \$256,000 in fiscal 2013, \$266,500 in fiscal 2014, \$277,000 in fiscal 2015, and by \$287,500 in fiscal 2016.

Additional Information

Prior Introductions: SB 197 of 2010 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Cross File: None.

Information Source(s): Maryland Emergency Management Agency, Department of Legislative Services

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mc/jrb

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