

Department of Legislative Services
2011 Session

FISCAL AND POLICY NOTE

House Bill 11
Ways and Means

(Delegate Cardin)

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, 2011, and applies to tax year 2012 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease by \$58,100 annually beginning in FY 2013 due to the expansion of the subtraction modification. Expenditures are not affected.

(in dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Revenue	\$0	(\$58,100)	(\$58,100)	(\$58,100)	(\$58,100)
Expenditure	0	0	0	0	0
Net Effect	\$0	(\$58,100)	(\$58,100)	(\$58,100)	(\$58,100)

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

Local Effect: Local income tax revenues decrease by \$36,700 annually beginning in FY 2013. 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 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.

The Maryland Defense Force (MDDF) is a volunteer uniformed state military agency and one of the four components of the Maryland Military Department. Formally established by the Maryland legislature in 1917, the unit's heritage and traditions trace back to the seventeenth century. MDDF is one of a number of State Defense Forces authorized by the U.S. Congress under Title 32 and the respective state legislatures. While specific missions vary from state to state, the Maryland Defense Force has the primary mission of providing competent and supplemental professional, technical, and military support to the

Maryland Army National Guard, the Maryland Air National Guard, and the Maryland Emergency Management Agency. MDDF currently consists of 437 active members.

State and Local Revenues: Subtraction modifications of up to \$3,500 can be claimed beginning in tax year 2012. As a result, general fund revenues will decrease by \$58,100 annually beginning in fiscal 2013. Local income tax revenues will decrease by \$36,700 annually beginning in fiscal 2013.

This estimate assumes that 20% of 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. The subtraction modification for each eligible individual will reduce State and local taxes in a tax year by about \$275.

Additional Information

Prior Introductions: HB 681 of 2010 received a hearing in the House Ways and Means Committee, but no further action was taken. Its cross file, SB 1052, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Cross File: None.

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

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