

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 371 (Delegate Glass, *et al.*)
Ways and Means

Income Tax Credit - Cat and Dog Adoption

This bill creates a one-time tax credit against the State income tax for each animal shelter or rescue facility cat or dog adopted by an individual in the tax year. The credit may not exceed the lesser of \$100 for each animal adopted or the tax liability imposed in the year. The Comptroller's Office is required to adopt regulations to implement the credit.

The bill takes effect July 1, 2013, and applies to tax year 2013 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease by a significant amount beginning in FY 2014 due to tax credits claimed against the personal income tax. General fund expenditures increase by \$53,000 in FY 2014 for one-time tax form changes and computer programming modifications at the Comptroller's Office.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: No similar State tax credit of this type exists. No other state or the federal government has a similar credit, although legislation has recently been introduced in New York and Pennsylvania.

Background: An informal survey by the Professional Animal Workers of Maryland, Inc. (PAWS) found that annually:

- 38,414 dogs and 57,556 cats enter shelters;

- 10,677 dogs and 34,860 cats are euthanized in shelters; and
- 27,737 dogs and 22,696 cats are adopted out of shelters.

State Revenues: General fund revenues will decrease by a significant amount beginning in fiscal 2014. However, the amount of the revenue loss depends on the number of qualifying cat and dog adoptions. *For illustrative purposes only*, assuming 30,000 dogs and 25,000 cats are adopted and that all individuals have a tax liability of at least \$100, the general fund revenue loss would be \$5.5 million.

State Expenditures: The Comptroller's Office reports that it will incur a one-time expenditure increase of \$53,000 in fiscal 2014 to add the tax credit to the personal income tax return. This includes data processing changes to the SMART income tax return processing and imaging systems and system testing.

Additional Information

Prior Introductions: HB 882 of 2012 received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

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

Fiscal Note History: First Reader - February 21, 2013
ncs/jrb

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